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Mexico: the problems cash cannot solve, Page 24

World news | Business summary

Sharp fall in Soviet crime

The rate of violent crime in the Soviet Union has fallen rapidly since the clamp down on the sale of alcohol in 1985, according to Alexei Vlasov, the Interior Minister.

The number of murders in 1986 fell by 21.7 per cent and the cases of serious bodily injury by 24 per cent compared with the previous year, he said in the most detailed description of crime in the country given by a senior official.

Although drunken crime has fallen by about 25 per cent, the making of moonshine has rapidly increased with some 900,000 private stills confiscated or handed over. Page 2

Israeli envoy to SA

A senior Israeli politician has gone to South Africa to explain his government's decision to impose limited economic sanctions against Pretoria. Page 4

Philippine arrests

Philippine military authorities detained several people suspected of planting bombs in a military academy which killed four and injured 40.

Gelli warrant issued

Rome magistrates issued a new arrest warrant for masonic lodge grandmaster Licio Gelli for obtaining Italian state secrets. He is already wanted in connection with the crash of Banco Ambrosiano.

Giscard drops plan

Former French President Valery Giscard d'Estaing dropped a proposal to shorten the presidential term of office from seven to five or six years.

French 'spies' held

French police arrested four people suspected of spying on the European space programme for an unnamed country.

Chinese pledge

Chinese leader Deng Xiaoping said the Communist Party would push ahead with reforms despite conservative opposition. Page 4

CIA 'aiding Contras'

The US Central Intelligence Agency is helping Contra rebels prepare a spring offensive, a Washington report said. Page 6

Speed limit to rise

US House of Representatives voted to raise the national speed limit from 55 to 65 mph (90 to 115 km/h) despite warnings that the increase might cause hundreds of additional road deaths.

Aids drug test

Bristol-Myers, US drug company, will seek government permission this month to begin testing a possible Aids vaccine. In China, the head of the country's academy of traditional medicine, said acupuncture could help combat the disease.

UK shuns N-treaty

Britain is to refuse to sign a treaty drawn up by Australia, New Zealand and eight other island states in 1985 declaring the South Pacific a nuclear-free zone.

Queues to see jewels

New Yorkers formed long queues outside Sotheby's auction house to see the jewels of the late Duchess of Windsor, which went on public display for the first time.

Mozambique appeal

Mozambique president Joaquim Chissano made an urgent appeal to the European Economic Community for aid to help people displaced by drought and rebel attacks in the country's rural areas.

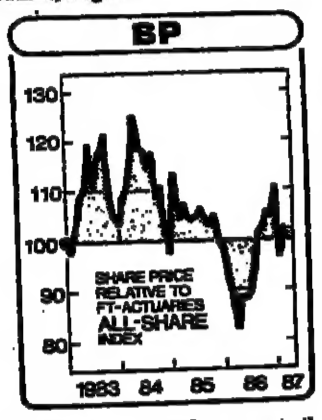
Springer hit by boardroom battle

AXEL SPRINGER Verlag, West Germany's biggest newspaper publishing house, has become the centre of a fierce boardroom battle which is rapidly coming to a head amid concern about apparently heavy buying in London of Springer shares. Page 27

WALL STREET: The Dow Jones industrial average closed up 12.64 at 2,299.57. Page 50

TOKYO: Investor concern over high prices returned in late trading and sent share prices lower. The Nikkei average ended 60.74 down at 21,644.32. Page 50

LONDON: The equity market's considered response to Tuesday's budget was cooler, with a wide downturn in prices. The FT Ordinary index shed 7.9 to 1,581.6 while the FT-SE 100 index ended 15.6 lower at 1,991.0. Gilts were slightly easier. Details, Page 46.



BP: The City of London expects the UK Government to have little trouble disposing of its remaining 32 per cent stake in the oil company. The prospect of the sale had only slight effect on the BP share price, which rallied from an early fall to close 12p down at 816p; Page 12; Background, Page 26. Meanwhile, Britoil cut its final dividend by one-third to 6p, a smaller reduction than expected. Page 33; Lex, Page 26.

GOLD fell $0.25 on the London bullion market to close at $404.25. It rose in Zurich to $404.60 ($404.50). Page 35

DOLLAR closed in New York at DM 1.8335; SFr 1.5345; FFr 6.1025 and Y151.425. It fell in London to DM 1.8335 (DM 1.8365); to Y151.45 (Y151.90); to FFr 6.1025 (FFr 6.1100); to SFr 1.5345 (SFr 1.5389). On Bank of England figures the dollar's index fell 0.2 to 103.1. Page 39

STERLING closed in New York at $1.5976. It fell in London to $1.6035 ($1.6060); to DM 2.94 (DM 2.95); to Y242.75 (Y244.0); to FFr 9.7850 (FFr 9.8125); and to SFr 2.46 (SFr 2.47). The pound's exchange rate index fell 0.2 to 72.3. Page 39

DEUTSCHE BABCOCK, West German engineering and machine tools group, plans an increased payout for 1986-87 as a result of improved earnings. Page 28

SGS, Italian state-owned microchip manufacturer which may be merged with the semiconductor division of France's Thomson group, suffered a $50m loss last year – more than twice the 1985 deficit of $20m. Page 27

NOBEL INDUSTRIES, Swedish chemicals and armaments group, increased 1986 profits by 54 per cent and forecast a further "slight improvement" in 1987. Page 27

MBB, West German aerospace company, won a DM 80m ($43m) contract to make infra-red sensors for the US Star Wars defence programme.

CARTER HAWLEY Hale, Los Angeles-based department stores group, had its earnings almost completely eroded in its latest year by special charges. Page 27

LONDON AND NORTHERN, beleaguered UK construction, energy and healthcare group, became the subject of a fresh bid battle when Evered Holdings, acquisitive industrial conglomerate headed by the Abdullah brothers, unleased its widely-predicted offer for the company. Page 27

US share trader admits illegal deals with Boesky

BY WILLIAM HALL IN NEW YORK

MR BOYD L. JEFFERIES, one of the best-know US traders in large blocks of shares in some of the biggest takeover battles in recent years, said yesterday he would plead guilty to charges of illegal share trading with Mr Ivan Boesky, the disgraced US stock speculator.

Mr Jefferies, 56, founder and chairman of the Jefferies Group, a Los Angeles-based broker which specialises in trading in big blocks of shares for institutional investors outside established stock exchanges, is the latest in a growing list of well-known US financiers to be named by the US Securities and Exchange Commission (SEC) in its investigation into insider trading and takeover practices.

Mr Jeffaries resigned from his firm yesterday and said he would plead guilty to two felony counts of violating US securities laws.

In a statement released by his firm, Mr Jefferies said: "I fully accept sole responsibility for these transactions. I think it is appropriate that I suffer the consequences for my actions rather than the company".

He has agreed to be barred from the securities business for at least five years and will co-operate fully with the SEC in its continuing investigations.

The criminal charges against Mr Jefferies resulted from a transaction in which he agreed, on behalf of his firm, to buy certain stocks from entities controlled by Mr Boesky and later to resell the stocks to such entities.

Within days of the purchase, the market value of one of the stocks fell sharply and, following their agreement, a Boesky entity paid Jefferies & Co $3m (£1.9m) to offset the loss.

Mr Jefferies admitted that, following the loss, he ordered Mr Boesky be sent a $3m bill for "investment advisory and corporate finance services," although Jefferies & Co treated the $3m as an offset to its losses.

Mr Jefferies thus enabled one of the Boesky entities to make a false entry in its books. In addition, Mr Jefferies has agreed to plead guilty to abetting one of Mr Boesky's entities make a false entry. He has also agreed to plead guilty to a violation of SEC rules on a securities purchase.

The SEC has alleged that Mr Jefferies and the Jefferies group violated federal securities laws by engaging in two types of unlawful conduct: market manipulation and "parking" of securities, a form of illegal share trading aimed at disguising true ownership of blocks of shares.

The SEC's success in persuading Mr Jefferies to plead guilty marks another breakthrough in its widening investigation into Wall Street trading abuses.

Until now, most of the SEC's publicised work has centered on the questions of insider trading with Mr Boesky helping the SEC catch his former informants who sold him information on imminent takeover battles.

However, the latest case indicates that the SEC has made considerable progress in tracking down suspected abuses during the recent boom in US corporate takeovers.

Jefferies & Co is not a member of an established stock exchange and has often been used as a mechanism by which corporate raiders and others could quickly and quietly amass substantial blocks of shares in unsuspecting targets.

Profile, Page 6

President Gustav Husak

Husak endorses Soviet reforms

By Leslie Colitt in Berlin

PRESIDENT Gustav Husak, the Czechoslovak leader, has endorsed a major switch to Soviet-style economic and political reforms in his country, ahead of a visit by Mr Mikhail Gorbachev, the Soviet leader, next month.

Czechoslovakia, Mr Husak said, faced the "biggest change in the system of economic management since nationalisation" after the Second World War. But the only new initiative mentioned in his speech to the Central Committee of the Communist Party on Wednesday night was the enactment of a new State Enterprise law by June, which could include the election of managers.

Western political and economic analysts in Prague said Mr Husak's remarks, while a verbal endorsement of Soviet reforms, did not specify either how, or even whether, they would be applied in Czechoslovakia.

Mr Husak's Government has had more difficulty than most in Eastern Europe in responding to new environment in Moscow. Talk of reform – which recalls the liberalising principles of the 1968 Prague Spring which was put down by a Warsaw Pact invasion – is suppressed because Mr Husak and his Politburo hold their positions as a result of their anti-reform orientation.

In this context, it is interesting that the President used the word "reform" when speaking of economic restructuring "or, if you will, reform." He also called for a more open policy on information as part of the democratisation of Czechoslovakian society.

Two months ago, Mr Husak announced a programme of economic restructuring which would give in-

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Yugoslavs fight hyper-inflation, Page 24

Nippon Life to pay $530m for Shearson stake

BY OUR NEW YORK CORRESPONDENT

AMERICAN EXPRESS, the US financial services group, has tentatively agreed to sell a 13 per cent stake in its Shearson Lehman Brothers securities operation for $530m to Nippon Life Insurance, the biggest Japanese life assurance company.

American Express said yesterday that it had reached a "general understanding" with Nippon Life under which the Japanese group would make a 13 per cent equity investment in Shearson Lehman which in terms of its capital and subordinated debt of $3.1bn ranks as the third biggest securities firm on Wall Street.

In addition, American Express, Shearson and Nippon Life would "explore mutually advantageous, non-exclusive business and investment opportunities."

Yesterday's announcement is the latest indication of growing Japanese interest in investing in the US financial services industry. It follows Sumitomo Bank's $500m purchase of a 12.5 per cent investment in Goldman Sachs last year, although this excluded a direct equity link.

The attractiveness of Tokyo financial groups as a source of potential capital is reinforced by their apparent willingness to pay a high price for a foothold on Wall Street, which has been alive with rumours in recent months that major US securities firms were considering ties with Japanese investors.

American Express refused to say yesterday whether the proposed investment involved new capital for Shearson or whether American Express would be receiving the proceeds for part of its own stake. Shearson Lehman Brothers has a net worth of $1.3bn and Mr Walter Montgomery, an American Express official, said the proposed stake valued Shearson at roughly three times its book value.

American Express shares have risen after the disclosure earlier this month that it was considering selling a minority stake in Shearson, which contributed $316m of its $1.25bn net income in 1986.

American Express, which over the last two years has sold off most of its investment in its formally wholly-owned Fireman's Fund insurance affiliate, said yesterday that it was continuing to evaluate "various courses of action of strategic importance to Shearson Lehman, in addition to the possible investment by Nippon Life."

The options range from expanding Shearson's capacity to meet international competition to broadening further its access to capital. However, American Express said that "all the courses of notion under study reflect the continuing integral role of Shearson in American Express's worldwide financial services strategy."

American Express shares, which had risen by $1 to $78⅝ in heavy trading on Wednesday, added $⅝ to $79¼ in early trading yesterday.

Our Financial Staff adds: Earlier Mr Tokutaro Hirose, a Nippon Life vice-president, at a press conference in Tokyo would acknowledge only that it was "considering" such a purchase.

Nippon Life, an unquoted mutual company which pays dividends to its policyholders, had total assets of Y12,602bn ($83.1bn) by March 1986, the end of its last financial year.

Trade policy unresolved, Page 6

Guinness launches legal action to recover £5m

BY CLIVE WOLMAN IN LONDON

GUINNESS, the international drinks company which is the subject of a UK Government investigation, yesterday announced that it had issued writs to recover £5.2m ($8.32m) from Mr Ernest Saunders, its former chief executive, who was dismissed in January, and his co-director Mr Thomas Ward, a US lawyer.

The High Court writs are the first in what is expected to be a flood of civil actions between the various companies and individuals who were involved in Guinness' £2.5bn takeover battle for the Distillers group a year ago.

At a board meeting yesterday, the Guinness directors agreed to put an extraordinary resolution to shareholders at the company's general meeting on May 27 to remove Mr Saunders and Mr Ward as company directors. Both were asked by the board to resign their positions in January because of their involvement in a £500m operation to boost Guinness shares artificially and in possible breaches of the Companies Act during the Distillers takeover battle. The two men, however, have so far refused to resign.

The writs refer to a sum of £5.2m that Guinness paid last year, apparently on the authority of Mr Saunders and Mr Ward, to a Jersey-based company, Marketing and Acquisition Consultants, for services supposedly related to the takeover battle.

Guinness has been conducting a separate action in the Jersey courts to try and trace the money, most of which appears to have been transferred to Switzerland. The chairman of MAC, Mr Michael Dee, claimed that the money was paid as a fee to Mr Ward for his "consultancy services" during the takeover battle.

In response to the legal action, Mr Ward made his first public announcement yesterday – through his lawyers – since the investigation into Guinness by the Department of Trade and Industry began in December. He claimed that the £5.2m were in fact his earnings. He said that after deductions to pay US federal and state taxes and "certain expenditures", the remaining sum was in his possession on deposit in the US.

Mr Ward said that, more than a week ago, he contacted Guinness executives and offered to put this money into an escrow account, where it would be left untouched until the various claims were resolved, and let the question of his entitlement to it go to "expeditious" arbitration. Guinness had refused to respond to this offer, Mr Ward

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VW party written off by currency losses

BY ANDREW FISHER IN WOLFSBURG

THE SPEECHES had been written, the factory entrance newly painted, and the guests invited.

The completion of Volkswagen's 50 millionth car next Monday at 10.15 am was to have been an occasion celebrated with grand words, music, and a buffet for more than 400 guests.

But the inconvenient matter of up to DM 480m ($262m) of currency losses has caused an embarrassing change of plan at VW, where state investigators are now trying to find the culprits behind the fraudulent dealings.

Now the assembly of the 50 millionth car, probably a Golf, will be honoured in the same modest way that previous such anniversaries have been celebrated.

It will stop on a white line in Hall 12, just past the spot where girls give the horns a final toot and the electronics their final testing.

Decorated with flowers, it will be the centre of a brief 20-minute ceremony presided over by Mr Carl Hahn, 60 year-old chairman of the West German company.

Continued on Page 26

Australia unveils defence plan

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S Labor Government yesterday committed the country to a wide-ranging defence strategy of robust self-reliance, firmly rejecting a "fortress" posture and preserving an important role for offensive military operations.

The policy, which is expected to please Australia's Western allies, was revealed in a long-awaited Government White Paper (policy document) tabled in parliament by Mr Kim Beazley, the Defence Minister.

It coincides with uncertainties concerning Soviet intentions in the Pacific, worries about the impact of New Zealand's departure last year from the Anzus alliance and political arguments at home over Australia's defence stance.

The 110-page document is the first of its type in 10 years and follows a major review of defence strategy and force structure published last year. It is important because is spells out how a nation of 16m people hopes to guard about one-tenth of the earth's surface.

"After 10 years of debate, the 1987 paper clearly sets out the strategy for the defence in depth of Australia and our interests, and the direction for re-equipment to take us into the next century," Mr Beazley said yesterday.

He used the occasion to defend strongly Australia's defence links with the US, with New Zealand and, through the five-power defence arrangements, with Britain, Singapore, Malaysia and New Zealand.

But he also criticised New Zealand's policy on port access for nuclear-powered and armed ships, registered concern over the Soviet naval and air presence in Vietnam and pointed to the increasingly complex stategic situation in South Pacific.

The capital programme outlined in the Government's document requires more than A$20bn (US$13.7bn) in spending over the next 15 years. Mr Beazley said this could be afforded provided there was an ordered conception of defence priorities and tough financial management.

According to Mr Beazley, Australia's armed forces must be prepared for "low-level contingencies", rather than a major attack. No regional power currently had the capability to seize and occupy a substantial portion of Australian territory, he said.

His most sensitive revelations outlined a comprehensive three-layered defence strategy to be implemented by an appropriately equipped modern defence force operating under a unified command.

The outer layer of defence called for high-quality intelligence and surveillance through satellites, over-the-horizon radar and long-range patrol aircraft and submarines.

A second layer required fighter aircraft, surface ships and submarines to operate from bases around the country in order to protect shipping lanes and to destroy enemy forces in Australia's approaches or, if necessary, at their bases.

The innermost layer would comprise mobile regular and reserve forces which would counter an enemy filtering through the other two layers.

The strategy involves the purchase of six submarines, eight frigates, several mine-hunting vessels, F/A-18 strike aircraft, Blackhawk and Seahawk helicopters and probably an airborne early warning system.

Strategy for self-reliance, Page 4

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US WAKES UP TO THE OIL PRICE CRISIS

US Energy Secretary John Herrington warns that increasing oil imports are threatening the nation's energy security, Page 26

EUROPEAN NEWS

Moscow lifts the curtain on extent of crime in Soviet Union

BY PATRICK COCKBURN IN MOSCOW

ALMOST three-quarters of all murders in the Soviet Union occur in the home and a third of all criminals are drunk when they commit a crime, according to Mr Alexei Vlasov, the *Interior Minister*, giving the most detailed description of the extent and structure of crime in the Soviet Union yet given by a senior official.

He claimed that violent crime had dropped rapidly since the clampdown on the sale of alcohol in 1985. The number of murders in 1986 fell by 21.7 per cent and cases of serious bodily injury by 24 per cent compared with the previous year.

Mr Vlasov's interview with the newspaper Literaturnaya Gazeta appears to indicate that the Soviet Union will soon issue crime figures for the first time. These have hitherto been kept secret. The Interior Minister, who is in charge of the police, said his men were hampered by the secrecy surrounding the crime figures which also encouraged rumours exaggerating the amount of crime.

Reform of the police was also crucial to any real improvement in the civil rights of the average Soviet citizen and the creation of a more equitable legal process.

Speaking of murder, Mr Vlasov said that in the US they were most typically committed "in public places, on streets, in squares, but with us, 70 per cent of all murders are carried out in the home: a person gets drunk *in his apartment*, has a fight and goes for the kitchen knife."

Although drunken crime has fallen by about a quarter over the past year, the making of moonshine (samogen in Russian) has increased rapidly, with some 900,000 private stills confiscated or handed over voluntarily.

Mr Mikhail Gorbachev told the Communist party central committee in January that during the 18-year rule of Mr Leonid Brezhnev corruption had become rampant in the Interior Ministry. General Nikolai Shcholokov, the minister for many years, was forced to resign in 1983 and later stripped of his rank but died before he could be brought to trial.

The drive to clean up the police force was further underlined last month when the Soviet official spokesman announced that Mr Yuri Churbanov, the former Deputy Interior Minister and Mr Brezhnev's son-in-law, had been arrested.

Mr Vlasov also admitted that at street level the police were often corrupt or poorly trained and said that the force lacked a nucleus of professional detectives. Petty corruption is particularly rife among the traffic police, despite the sacking of thousands of them in 1984, according to the daily Izvestia. A correspondent who dressed up as a police officer says he was repeatedly offered driving licences containing a three rouble note, drivers "never dreaming that an inspector would refuse money."

David Barchard finds little impetus for change in the north of the divided island

Turkish Cyprus looks to EEC for a solution

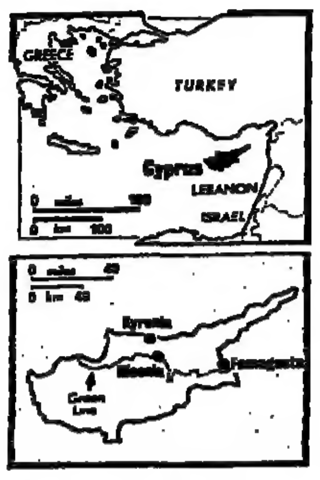
ON A CLEAR winter's afternoon the Taurus mountains can be seen on the horizon 50 miles away from Kyrenia, Northern Cyprus, on the southern coast of mainland Turkey.

The sea between Turkey and Cyprus turns into a magnificent waterway and one wonders how the Greek Cypriots who ruled this area until 13 years ago could ever have failed to come to terms with the fact that they lived in the shadow of a country with a hundred times their population.

No such forgetfulness is to be found in the Republic which the Turkish Cypriots have created for themselves. However out of touch with the rest of the world, the Turkish Republic of Northern Cyprus feels to the visitor (who asks himself sometimes whether it is Ruritania he is reminded of or Lilliput)—eyes are constantly trained on political developments in southern Nicosia or Athens.

"We don't believe that the Greeks want a solution," says Mr Dervis Eroglu, the Turkish Cypriot Prime Minister. "We are not very hopeful about the prospects for any negotiations being held and I personally doubt that there is any chance of a solution before the Greek Cypriots hold their presidential elections next year."

It might seem slightly surprising to hear Turkish Cypriots accusing the Greeks of not wanting a settlement. Outside observers have often suspected that, after the Turkish invasion of 1974 cut the island into two parts, the Turkish Cypriots were largely content with the status quo which gave them—about 160,000 people—their own statelet and 34 per cent of the island.



The Turkish Cypriot perspective, however, is that since the 1950s they have been struggling to find terms on which they can live with the Greeks.

In their view, a formula was reached in the independence constitution of 1960, and then deliberately destroyed three years later by President Makarios in an abortive push which would have culminated in Enosis (union with Greece).

Turkish Cypriot determination to have equal communal rights (though they are only a fifth of the total population), the backing of mainland Turkey and Greek political miscalculation created the situation which exists today.

In the view of senior Turkish Cypriots, such as Dr Kenan Atakol, the Foreign and Defence Minister in the North, Britain and the US sowed the seeds of the subsequent tragedy in December 1963 when they decided to continue extending total recognition to the Greek Cypriot government.

New efforts by the UN last month to rejuvenate talks between Greek and Turkish Cypriots have stalled, officials and diplomats told Reuter in Nicosia.

Greek-Cypriot officials confiremd reports from northern Cyprus that UN envoys Marrack Goulding and Gustave Feissel last month proposed UN-sponsored "parallel" talks between the tow sides to break a yearlold deadlock.

"I can confirm Greek-Cypriot acceptance of what was discussed," a UN spokesman said, but he declined to elaborate.

The Turkish Cypriot leader, Mr Rauf Denktash, said before the two sides met that Greek Cypriots must first accept a draft UN federal accord which they had rejected after it was unveiled in March 1985. Mr Denktash said he had accepted the proposal.

"If the Greek Cypriots do not accept the draft, then what meeting and why?" northern newspapers quoted him as saying.

The UN draft proposes a jointly run federal republic in Cyprus with a complex power-sharing federal executive and a large measure of autonomy for both communities.

"The Greeks have never had the incentive for a solution," says Dr Atakol. "They get all the recognition and all the aid. Why should they want to share that with us?"

Dr Atakol blames the US for the present isolation of the Turkish Cypriot republic. "Pressure from the US is stopping Moslem countries such as Bangladesh from recognising us," he says. "Bangladesh did recognise us, then withdrew its recognition because of American pressure."

If the Turkish Cypriots grumble about the relative economic imbalance, claiming that the Greek Cypriots have \$70-80m of European Community aid, compared to \$6 or \$7m for the North, they are still not discontented.

Life is very easy, almost idyllically so in the North, with consumer goods from Britain available in the shops despite a trade deficit which is much larger than the Turkish Cypriots' export earnings.

This too is partly the result of a subsidy — this time from mainland Turkey. A year ago Mr Turgut Ozal, the Turkish Prime Minister, resolved to run down the subsidy over five years. Last December, the Turkish Cypriots managed to get the subsidy restored, on condition that they take steps to set their house in order.

As a result, laws are now being changed to encourage tourism and foreign investment, along with such novelties as offshore banking. Market forces will be encouraged, just as they have been on the mainland.

Though most Turkish Cypriots would probably like to be as wealthy as their southern neighbours on the island — whose skyscrapers can be glimpsed on the southern horizon — the appetite for rapid change is not strong.

Economic growth would almost certainly bring new political changes in tow. It might foster much closer links with mainland Turkey. It could also bring a settlement on the island closer.

"A federation is not possible without economic balance between the two Cypriot communities," says Dr Atakol. "It is the great discrepancy which makes it hard to create a federation."

Like most Turkish Cypriots, however, Dr Atakol expects that things will stay very much as they are for the foreseeable future but that trading links will one day be followed by recognition.

"I trade with both the North and South side of the island," a British businessman declared in Kyrenia. "At first the Greek Cypriots started threatening and insulting me. I was even served with a writ. But I just politely ignored it and now I find I can deal with the whole of Cyprus without any problems."

"Recognition will come sooner or later," says Dr Atakol. "Even if we can't give a date for it."

Like other Turkish Cypriots, he seems to feel that the arena for settling the dispute is now gradually shifting from the United Nations, which has become something of a relic of the island's past, to the European Community.

Custom union talks between the Greek Cypriots and the Commission cause much anxiety in Northern Nicosia, as the Turkish Cypriots expect to emerge worse-off in any deal.

"On the other hand," a Nicosia businessman said, "If there is ever a solution, perhaps it will only come when and if both Turkey and Cyprus have been absorbed into the EEC and even the thought of a new war between them becomes completely impossible."

Dutch coalition loses ground in local polls

BY LAURA RAUN IN AMSTERDAM

THE NETHERLANDS' coalition parties, the Christian Democrats and Liberals, together won 48.5 per cent of the votes cast in Wednesday's provincial council elections, rather less than in last year's general election.

The Labour Party, the largest in opposition, captured an unchanged 33 per cent, while the small left- and right-wing parties gained some ground. An unexpectedly low 66 per cent of eligible voters turned out to choose the 748 council seats in all 12 provinces.

In June, the provincial council members will elect the 75 members of the First (upper) Chamber of Parliament. Based on Wednesday's outcome the centre-right coalition parties will barely maintain their majority with 39 seats, compared with 42 now. The Socialists are forecast to obtain 26 seats, a dramatic gain from 17.

The provincial elections are the first test of the political waters since the Christian Democrat-Liberal coalition's surprise victory last year and are viewed as a reliable measure of voter swings. National issues dominated the low-key campaign.

Labour's failure to make better gains, however, is viewed as a black mark for Mr Kok, who took over the party helm last year.

● Industrial production edged up by 3 per cent in January compared with the year-earlier and by 5 per cent over December, according to seasonally adjusted figures. The central bureau of statistics said that higher oil and gas activity helped lift the figure.

The industrial production index includes the energy and utility sectors but excludes construction. The narrower manufacturing index was flat in January compared with January last year, but 2 per cent above December's level.

Poles protest over prices

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S new unions have demanded that the Government reduce the scale of planned rises this year in the price of food, energy and other basic items. Their demand comes before a round of increases expected next month and is accompanied by the veiled threat of protests.

The Government is planning to raise prices this year by 17 per cent. Nominal wages are due to go up by 15 per cent.

The unions were set up in 1982 to replace Solidarity and membership has levelled off at around 6m. Their leaders, Mr Alfred Miodowicz, became a member of the Communist party Politburo last year and the movement continues to be viewed with suspicion by workers.

However the force of their latest statement reflects the depth of feeling in the country about the scale of the planned increases. The Government, for its part, says it wants to make substantial progress towards balancing supply and demand internally to boost efficiency.

French rail to shed more jobs

By David Housego in Paris

THE FRENCH railways (SNCF) are to accelerate job cuts because of a downward revision in forecasts of passenger and freight traffic due partly to the effects of the recent rail strike.

The SNCF is to reduce the workforce by an extra 2,800 this year on top of 8,000 already planned, bringing the number of employees to 222,600. Unions immediately condemned the move.

The accelerated cut follow revised forecasts that passenger traffic will be 5.6 per cent below estimates made last November—giving a new total of 51bn passenger/km in 1987—and that freight traffic will also be down by 5.9 per cent 48bn tonne/km.

The changes reflect both the direct loss of traffic caused by the strike in January—the longest in French rail history—and the indirect effects resulting from a shift of traffic in favour of road transport. On top of this, the SNCF believes that lower oil costs have favoured road transport more than had originally anticipated.

The decline in passenger traffic brings to an end a long period of growth as a result of the TGV high-speed train. The railways expect traffic to increase again when the TGV line from Paris to the Atlantic coast comes into service in 1989-90.

The SNCF says the extra job losses were inevitable in the light of its commitment to eliminate operating losses by 1989. The SNCF made an operating profit last year of about FFr 4bn (£412m).

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هكذا من الأصل

EEC ministers tell steelmakers to think again

BY QUENTIN PEEL IN BRUSSELS

EEC industry ministers agreed yesterday to give their big steel producers more time to agree on voluntary cuts in capacity, but insisted that their plans fall far short of the tonnages required to restore equilibrium.

They instructed the European Commission to negotiate further cuts above the 15.26m tonnes proposed by Eurofer, the association of main EEC steel producers, in the mose politically sensitive areas of flat products and heavy sections.

The decision amounts to a 2½-month reprieve, with no decisions taken on any further moves to liberalise the steel market, as the Commission had hoped.

Mr Karl-Heinz Narjes, the Industry Commissioner, reported yesterday that on the most pessimistic assessment, excess steel capacity in the Community would reach 32m tonnes by 1990. The best case scenario would put the figure at only 21.5m tonnes.

The ministers agreed that Eurofer plans for voluntary plant closures and capacity reductions "remain well below the level of excess capacity," although they "appreciated the efforts" made by the producers.

Eurofer maintains that the market is still too depressed for its 22 members to survive a fully liberalised system, scrapping the régime of fixed production quotas which help to support prices.

The actual cuts propoed by Eurofer affect mainly long products, such as wire rod, merchant bars and quarto plate. Commission officials doubt whether the full amount of 15.26m tonnes is a genuine figure, suggesting that it could be only 11.5m tonnes.

The most sensitive area is for hot-rolled flat products, produced by the very large integrated steelworks, which are also the industry's biggest employers. This is where negotiations will now be concentrated.

Mr Giles Shaw, the British Industry Minister, insisted that none of the British Steel Corporation's plants should be affected, as they were now that the Commission must take into account "the profitability and financial viability of companies in negotiating further cuts—a phrase accepted by the other aministers in their final declaration.

The conclusion still falls well short of what the Dutch wanted, which is a rapid move to scrap all quotas by the end of the year.

The ministers also asked the Commission to report back in June on how plant closures can be eased by "social" spending, aimed at creating alternative employment, and providing retraining.

Weinberger chides Spain over military demands

THE US Defence Secretary, Mr Caspar Weinberger, yesterday chided Spain for pressing for sharp cuts in American military forces there and called on Nato to do more to shore up its southern flank, Reuter reports from Istanbul.

"If we do not do enough in time, we will never do it until it is too late," he said in a speech near the end of a six-day visit to Spain and Turkey.

In what US officials called a pointed reference to Madrid, Mr Weinberger said the Western alliance could not afford "backtracking" from commitments such as maintaining US military facilities in host nations.

Without mentioning Spain by name, he said: "It would be damaging indeed to Nato to consider removing US military facilities without providing a full substitute for the loss of defence capability, so that there is no loss in either defensive military strength or political support."

Meantime, Mr Vahit Halefoglu, the Turkish Foreign Minister, called on the Reagan administration to find ways to make up a shortfall in aid if Congress does not vote the amount agreed by Ankara and Washington.

Community environment year off to damp start

By Our Brussels Correspondent

ENVIRONMENT ministers of the EEC yesterday celebrated the launch of the European Year of the Environment by agreeing on stricter controls on sulphur in diesel fuel, setting a common position for international negotiations to protect the ozone layer, and going for a walk in the woods on a wet and dismal afternoon.

They also tightened up the rules for storing dangerous chemicals—even though some member states have yet to put them into effect—and finally agreed standards for disposing of asbestos waste, dust and fibre in factories.

Their decision on the ozone negotiations, agreeing to call for limits on the production of chlorofluorocarbons (CFC), used in aerosol cans, air-conditioning, and packaging for hamburgers and hot dogs, follows hard lobbying by the US and Nordic countries—but it falls well short of the controls sought by environmentalists.

The EEC ministers agreed that they would argue for an immediate freeze on CFC production, a subsequent 20 per cent production cut, and then for a sweeping review of the effect of CFC on the ozone layer.

The decision puts them between the position of the US, seeking rapid production cuts of 50 per cent and ultimate phasing out of all CFC manufacture, and Japan, which opposes any controls.

It falls short of the tougher measures wanted by West Germany, the Netherlands and Denmark, but was reported to be the maximum acceptable to the UK.

On sulphur content in diesel fuel for lorries and central heating, the ministers agreed that from January 1 1989 the maximum sulphur content should come down from 0.5 per cent to 0.3 per cent, with the option to go as low as 0.2 per cent. They set the end of 1991 as the target for all to reduce to 0.2 per cent.

They also agreed to reinforce the Saveso directive on storage of dangerous chemicals by reducing the quantities of chemicals that a company can hold before it has to obey the rules on safety and reporting. So far only France, the UK, Denmark, Belgium and Ireland have fully adopted the directive.

Delors presses case for summit on defence

BY OUR BRUSSELS STAFF

MR JACQUES DELORS, the European Commission president, yesterday renewed his appeal for EEC leaders to call a summit on the whole question of arms control, East-West relations, and their common security.

He issued his call as Mr Wilfried Martens, the Belgian Prime Minister, was meeting President Francois Mitterrand of France in Paris—both of them leaders who have expressed sympathy for the idea.

Mr Delors rejected criticism that he was greatly exceeding his responsibilities by venturing into the area of defence, when the competence of the European Commission is strictly limited to economic matters. He insisted that the reforms to the Treaty of Rome, incorporated in the so-called Single European Act, gave him the right to comment on questions of "the politicial and economic aspects of security"—although the Single Act has yet to be ratified by all member states.

His appeal was first launched in a French radio interview at the weekend, but was pointedly ignored by EEC foreign ministers when they met in Brussels last Monday. A suspicion that he was none the less reflecting the views of President Mitterrand came in an interview by the French head of state with the Italian newspaper Corriere della Sera, in which Mr Mitterrand supported the idea.

Delors: another broadside

Then, Mr Martens, the man responsible for calling a summit, also expressed an interest—although his Foreign Minister, Mr Leo Tindemans, dismissed it out of hand.

Any suggestion that the EEC should be the forum for a summit devoted specifically to security would be strongly resisted by the Irish Government as the one neutral member of the Community. It is also the one country yet to ratify the Single Act, because of a challenge to it in the Irish Supreme Court.

Mr Delors said that the latest initiative by Mr Mikhail Gorbachev, showing a willingness to negotiate the complete removal of medium-range nuclear missiles from Europe, was a dual challenge to the Community. "Does Europe take the view that its security future is going to be settled above its head?" he demanded.

"Any president of the Commission owes it to himself to ensure that the European Council (the EEC summit) deals with this situation in order that our Community should take its destiny in its hands," he said.

Speaking at a news conference to mark next week's 30th anniversary of the signing of the Treaty of Rome, Mr Delors said he was justified in stepping outside his "strict competence" "when our freedom and security is at stake." He said: "We need to be open to peace." "We need to be open to the other Europe. At the same time we need to be on our guard."

He asked how the Commission was to carry on talks with Comecon—currently under way in Geneva—without setting it "in the total context." He rejected suggestions that a security summit would be just about military questions: "Mr Gorbachev's policy does raise significant strategic economic, social and other problems," he said.

THE SOVIET UNION gave a low key account yesterday of the visit of Mr Michael Armacost, the US Under-Secretary of State, to Moscow this week during which he had talks on regional disputes and on the negotiations on banning medium-range nuclear weapons in Europe, writes Patrick Cockburn in Moscow.

Meetings were "not confrontational but we deplore that he did not bring anything new," Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman said yesterday. Talks on regional disputes would continue between US and Soviet experts.

This cool reaction is in contrast to Mr Armacost's more optimistic account of the results of his meetings with Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr Anatoly Dobrynin, the Communist Party central committee secretary in charge of foreign policy.

The Soviet Union also gave a non-commital response to the speech by Chancellor Helmut Kohl on relations with Moscow, but said it regretted his commitment to the use in the last resort of nuclear weapons in any future European conflict.

Andreotti tries to preserve coalition bid

By Alan Friedman in Milan

MR GIULIO ANDREOTTI, the veteran Christian Democrat politician charged with forming an Italian government, was yesterday trying to keep his effort afloat in the wake of opposition from the Socialist party to his formula for avoiding referendums on nuclear policy and judicial reform due in June.

The Socialists have rejected the formula contained in an 11-page letter sent earlier this week to the party secretaries. Mr Andreotti offered a commitment to change the laws on nuclear and judicial policy — thus effectively giving the referendum sponsors a victory —in exchange for abandoning the referendums.

Although the Socialist position increases the prospect of an early general election, the party executive did not reject Mr Andreotti's effort to form a government in absolute terms. The Socialists, like the Christian Democrats, do not wish to be seen as provoking an election.

French industry boosts investment abroad

BY DAVID HOUSEGO IN PARIS

FRENCH industry has sharply increased its direct investment abroad in order to strengthen its foothold in foreign markets.

According to the Ministry of External Trade, foreign investment by French companies rose by 70 per cent to FFr 34bn (£3.4bn) last year.

About half of this was concentrated in the US where Air Liquide, the industrial gases group, acquired Big Three for about $1bn, and Rhone-Poulenc, the chemical company, purchased the agro-chemical division of Union Carbide for $600m.

The sharp rise reflects the relaxation of restrictions on foreign investments by French companies which were strengthened under the Socialists to encourage French industry to concentrate its resources — and hence the creation of new jobs — at home.

The policy has been increasingly abandoned as successive administrations have taken stock of the potential loss of export markets through the failure of French industry to invest sufficiently abroad.

In net terms, foreign investment by French companies rose from FFr 8.4bn in 1979 to FFr 25bn in 1981 before falling back to FFr 14bn in 1983.

In addition to employment considerations, French companies were under pressure to restrict their foreign investments for exchange control reasons.

Apart from the US, French direct investment also rose in Switzerland (to FFr 2.4bn) and Britain (FFr 2.2bn). It remained relatively small in West Germany (FFr 1.2bn)

Brussels fans the fires of CGCT affair

BY PAUL BETTS IN PARIS

MR GERARD LONGUST, the French Post and Telecommunications Minister, reacted angrily yesterday to the intervention of Mr Jacques Delors, the European Commission president, in the already heated industrial and political battle over the future of Compagnie Generale de Constructions Telephoniques (CGCT), the troubled French state public telephone switch maker.

Mr Delors suggested on French radio that he favoured a European solution for CGCT and made clear that he supported the bid by Siemens of West Germany.

Mr Longuet, who is believed to prefer a rival bid by a partnership between AT & T and Philips, criticised Mr Delors for implying that France only had once choice, which was to decide on a CGCT link with Siemens. He pointed out that there were other bidders interested in CGCT, including Ericsson of Sweden and Northern Telecom of Canada as well as AT & T.

Although the minister acknowledged yesterday that he too shared Mr Delors "European prejudice," he added that it was also necessary to have a selection of bidders. Moreover, the final decision, expected before the end of next month — involved a combination of factors including industrial and technological considerations as well as political and diplomatic and diplomatic ones.

The reaction of Hr Longuet who criticised Mr Delors' intervention first on radio and later on the wires of the French national news agency AFP reflects the acute political sensitivity of the affair from the French Government, which has come under intense lobbying from Washington and Bonn to decide in favour of their respective candidates.

Chris Sherwell reports on a long-awaited white paper that seeks to join independence with co-operation

Australia plans 'comprehensive defence in depth'

YESTERDAY'S long-ewaited White Paper on defence from the Australian Government is the most detailed assessment ever published of the military threats the country might confront and of the capabilities it needs to respond.

It comes eight months after publication of a comprehensive defence review by Mr Paul Dibb, who now heads the Joint Intelligence Organisation. It broadly follows Mr Dibb's analysis and recommendations concerning military strategy and the structure of the armed forces.

The Government has deliberately avoided mentioning Mr Dibb's "strategy of denial" which would draw the emphasis of Australia's defence policy both to an essentially defensive role based within the country rather than an offensive policy under which offensive strikes could be launched against potential aggressors. However, even though these words are not used, this principle has clearly been adopted.

Canberra has also avoided commitments to a real growth in defence spending, although its ambitious equipment, operational and recruitment plans entail outlays of an estimated 2.6-3.0 per cent of gross domestic product annually.

"We can afford the defence we need, provided we focus carefully on our real priorities," Mr Kim Beazley, the Defence Minister, told Parliament. With tough financial management, "we can have more defence without spending more money."

Explaining the Government's overall policy, Mr Beazley repeatedly drew attention to Australia's "unique defence situation" and the need for unique solutions.

He also dwelt heavily on the importance of support from Australia's allies, particularly the US, in order for Australia to have the self-reliant capabilities for its independent defence and thereby contribute to Western security.

On potential military threats, Mr Beazley said that a rigorous and careful analysis had shown that no regional power had the capability to mount a major attack on Australia.

But, he added, "the capability to mount smaller scale—but still serious—military operations against us already exists in our region."

"The importance of low-level contingencies poses a unique challenge to Australia's military planning," said Mr Beazley. "Preparation for low-level threats requires unique planning and operational concepts."

According to the Government, Australia needs:

● High quality intelligence about military developments in the region, together with flexible, long-range capabilities for maritime surveillance and interdiction. The aim is to deny an adversary effective use of the sea and air to the country's north.

● A highly mobile army which, with air and naval support, can react to any incursions right across the contingent. These forces should be able to protect the military and civilian infrastructure and population in the most remote parts of the country.

Mr Beazley said these capabilities were needed as part of a "comprehensive defence in depth" which would ensure that an opponent "would founder on layers of deployed defence assets."

Under this strategy, Australia's "first layer" of defence involves a key addition to its regional capacities in the field of intelligence — namely, a A$500m network (£227m) of three over-the-horizon radars in the country's north.

Called Jindalee, and locally developed, the system may be supplemented later with an airborne early warning capability. New sensors will also be fitted to the Air Force's 20 Orion P-3C maritime surveillance aircraft.

Australia's vital access to complementary US intelligence, especially satellite intelligence, will, meanwhile continue, but in a new move the Government will also build its own satellite intelligence facility in Western Australia.

Apart from the availability of US intelligence, he said, Australia purchased its most important defence equipment from the US and had guaranteed access to a ready resupply of essential war stocks. The US alliance also provided a substantial deterrent.

The key element of Australia's "second layer" of defence will be its long-range strike capabilities—the offensive element of an otherwise broadly defensive strategy.

These include two squadrons of F/A-18 Hornet aircraft, supplemented by four Boeing 707s for inflight refuelling, two F-111 squadrons which might be refurbished or replaced with more F/A-18s, and an enhanced force of six new submarines replacing the Navy's old Oberon class fleet.

The new vessels, said Mr Beazley, would be "among the largest, longest range and most lethal conventional submarines operating anywhere in the world."

There will be a "two ocean" navy with half of it based near Perth in Western Australia, and half of it at a new location on the eastern seaboard. Submarines will also be split between the two centres.

The key component of the "third layer" will be the army. One regiment and perhaps one brigade will be relocated in the north. The addition of Blackhawk helicopters and, later, new armoured vehicles will boost mobility.

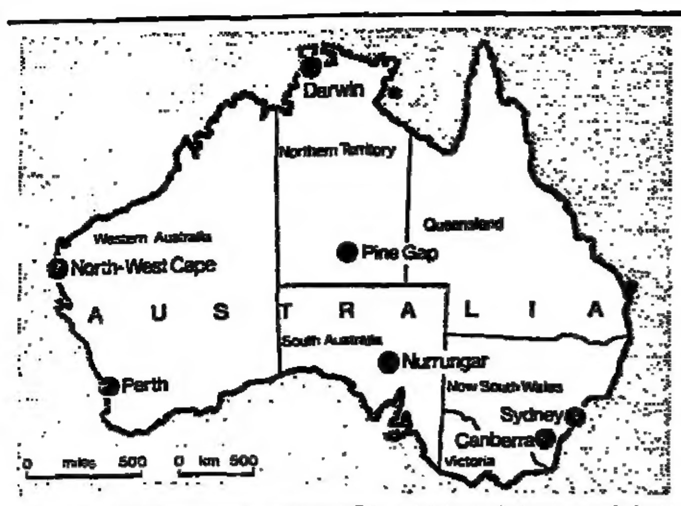
The Government is to revive Australia's mine countermeasure capability through the purchase of six locally-developed inshore minehunters and the acquisition of minesweepers.

Overall, the Armed Forces have been put under a joint operational command and will have more sophisticated information and communication systems.

On co-operation with other allies, Mr Beazley said Australia's long-standing defence relationship with New Zealand and their common perceptions would remain an important factor in regional stability.

But, he said, the Government had stated clearly its complete disagreement with New Zealand's policy on port access for allied nuclear powered or armed vessels.

Pointedly, he added: "The Australian Government looks forward to a full resumption of a trilateral Anzus relationship as soon as this is feasible."



KEATING URGES RESTRAINT

AUSTRALIA'S economy grew by only 1.35 per cent in calendar year 1986, and economists expect the figure for the financial year to June to be less than half the projection of 2.25 per cent made in the Government's budget last August.

Figures released yesterday for the December quarter showed a 1.1 per cent real growth in gross domestic product on the same quarter of 1985, and 1.35 per cent year-on-year.

The quarter-to-quarter performance was the best in 15 months, but the financial markets interpreted this cautiously in light of the trend over the year.

It was seized upon by Mr Bob Hawke, the Prime Minister, and Mr Paul Keating, the Treasurer, as evidence that the government's strategy was right and its objectives were being achieved.

But Mr Paul Keating reminded Australians that "we still have a long way to go" in the country's economic adjustment process. He added that continued restraint was necessary in wages, prices and by government.

Economists warned that too strong a growth recovery might worsen the current account deficit

Deng reaffirms plan for reform

BY ROBERT THOMPSON IN PEKING

CHINA'S paramount leader, Deng Xiaoping, has reaffirmed that the Communist Party will push ahead with controversial reforms of its power, despite strong conservative opposition to a lessening of party power.

Mr Deng said yesterday that a "tentative plan" for political reform would be presented at a party congress likely to be held in October, but provided little insight into the exact nature of the reforms.

A political reform campaign last year partly inspired student protests in December and January, and apparently contributed to the fall of the party's general-secretary, Hu Yaobang, who had been a vocal supporter of wide-ranging reforms of the Communist Party.

Diplomats expect that party reformers will attempt to streamline its structure and to ease the conflict between factory managers and party secretaries over the running of Chinese factories.

The Chinese leader said that the "open economic policy is sure to facilitate political reform," and that more "decision-making power must be granted to grass-roots units."

His enthusiasm for political reform is in contrast to recent statements by conservative officials pushing for tighter party control.

Many students took a press campaign supporting political reform last year as a cue to take their own demands for "democracy" and "freedom" to the streets.

At the height of the press campaign, commentators even spoke in favour of Western-style reforms.

New Zealand's inflation forecast to fall steadily

BY DAI HAYWARD IN WELLINGTON

THE New Zealand Institute of Economic Research forecasts a fall in inflation and a much improved balance of payment situation by the end of the year.

Most of the improvements would not happen in time to benefit the government in the election in September, however.

The institute believes inflation will reach its peak of 19.5 per cent in the first quarter, and fall steadily to 10 per cent by the end of the year and 8.9 per cent by next March.

It also forecasts improved markets for agricultural exports which would be further boosted by a drop in the value of the New Zealand dollar which would give farmers a higher return.

The current account deficit is forecast to drop from NZ$2.721bn (£955m) for 1986 to NZ$2.4bn by next March. It also believes there will be a big improvement in the balance of payments.

The institute predicts unemployment will rise from 54,000 to 88,000.

Israel explains arms sanctions to Pretoria

BY ANDREW WHITLEY IN JERUSALEM AND JIM JONES IN JOHANNESBURG

A SENIOR Israeli politician has gone to South Africa to explain a reluctant decision by Jerusalem to impose limited economic and other sanctions against Pretoria.

Under pressure from the US, the 10-member Israeli inner cabinet decided on Wednesday to freeze military contracts with South Africa and to curb tourism and cultural links.

Details of what will be affected, and how the sanctions will be implemented are to be worked out over the next two months.

President Ronald Reagan is due to report to Congress in just over two weeks on arms sales by recipients of US military aid to Pretoria, in a report expected to put the close Israel-South African relationship into an uncomfortable spotlight.

The official version of the sanctions decision was delivered to the Government of Mr P. W. Botha yesterday by Israel's ambassador in Pretoria. The more important explanations and reassurances were reportedly being given by Mr Abraham Burg, an adviser to the Prime Minister, Mr Shimon Peres, and a veteran Israeli politician.

South Africa's arms industry and military were silent yesterday on Israel's decision. Israel is believed to be South Africa's largest arms supplier, with annual two-way sales estimated at as much as $500m (£312.5m).

Strategically more important, however, is the secret technical and research co-operation between the two countries' arms industries.

In December last year South Africa denied reports that it was preparing a nuclear testing site with Israel on Marion Island in the southern Indian Ocean.

Armscor, the state-owned armaments manufacturer established to limit South Africa's dependence on foreign arms, produces weapons and weapons systems which are virtually idenitcal to those made in Israel. South Africa's Scorpion ship-to-ship missile is derived from the Israeli Gabriel missile, while Cheetah, South Africa's up-graded version of the Mirage 3 jet fighter, is believed to incorporate electronics developed when Israel upgraded its Mirages to produce the Kfir fighter plane.

Last year Israel supplied South Africa with two Boeing in-ight refuelling tankers which would allow South Africa's military jets to operate as far north as Kampala in Uganda.

● Eastman Kodak's plans to prevent its products reaching South Africa appear to be floundering. South African Druggists, a Johannesburg-based firm, claims it has acquired all of Kodak's inventories in South Africa and has secured long-term supplies of Kodak products from abroad.

Lebanon envoys in peace talks in Damascus

By Our Middle East Staff

THREE emissaries of President Amin Gemayel of Lebanon arrived in Damascus yesterday for talks with Syrian leaders on political reforms aimed at a settlement between the warring factions in the Lebanon.

Three traditional Moslem leaders—Mr Rashid Karami, the Sunni Moslem Prime Minister, Mr Nabih Berri, leader of the mainstream Shi'ite Amal movement, and Mr Walid Jumblatt, the Druze chief—have already accepted Syrian proposals for constitutional changes.

Three of the most important proposals were that the president should cease to have a power of veto over cabinet decisions, that the premier should be elected by the National Assembly rather than be appointed by the chief executive, and that power sharing between Christians and Moslems should be distributed on an equal basis.

In addition, and what is perhaps most contentious, Syria's "special relationship" with the Lebanon would be formally recognised.

Mr Gemayel's envoys are, like himself, Maronite Christians and represent the community which has enjoyed a privileged status since Lebanon became independent. However, they have to take into account the Lebanese Forces, the Christian militia.

● Three people were killed and two injured when a bomb destroyed a car in East Beirut, the Christian sector

Djibouti cafe blast kills 11 and injures 45

Eleven people, including four French nationals, were killed and 45 injured when an explosion tore through a crowded cafe in the Red Sea port of Djibouti on Wednesday, Reuter reports from Paris.

The Historil cafe is popular with members of the 3,000-strong French garrison at its main Indian Ocean naval base in the former French colony.

The French embassy said the blast was apparently caused by explosives placed against one of the pillars supporting the cafe.

Aquino bomb target

President Corazon Aquino may have been the target of a bomb at the Philippine military academy that could have been planted by disgruntled soldiers, the chief investigator said yesterday, AP reports from Baguio City in the Philippines.

Four people were killed on Wednesday when the three-part device exploded during rhearsals for a graduation exercise on Sunday, during which Mrs Aquino will give the main address.

Sarawak poll date

THE Malaysian elections commission yesterday announced the Sarawak state elections would be held on April 15 and 16. It said it would allow only nine days for campaigning.

The election was expected to be in June, after the Moslem fasting month.

No reason was given for the short campaign period or early date, but it is believed to be aimed at minimising racial tensions.

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AMERICAN NEWS

CIA 'assisting Contra plan for spring offensive'

BY LIONEL BARBER IN WASHINGTON

THE Central Intelligence Agency is supplying the Nicaraguan Contra rebels with precise details of civil targets such as dams, bridges, and port facilities as preparation for a spring offensive against the Sandinista regime, according to a newspaper report.

CIA support—though not illegal—represents a considerable increase in US Government involvement in Contra activities, reflecting pressure on the Reagan Administration to show that its $100m of military aid is paying off on the battlefield.

The State Department declined to comment on the New York Times report, but one official described it as damaging because it would help the Sandinistas prepare their defences against the offensive.

Disclosure of CIA involvement came the day after the US Senate defeated moves to block $40m of military aid—the remainder of the $100m aid package approved by Congress last year.

The vote, revealing deep divisions in Congress over aid for the Contras, was seen as a dress-rehearsal for the crucial vote in September when Congress will be asked to approve a new round of funding, totalling $105m.

Mr Elliott Abrams, chief architect of the Contra policy at the State Department, said last week that the rebels would soon pursue "hit and run" tactics rather than attempting to hold ground against the better-equipped Sandinista army. He agreed that the next few months were critical if the Administration was to secure more funds for the Contras.

CIA support of the Contras is monitored by Congress and the agency is required to notify lawmakers on a timely basis about certain covert actions. In 1984, the CIA had Central American mercenaries mine a Nicaraguan harbour and subsequently told the rebels to say it was their own work.

Some believe the plan was inspired by Mr William Casey, former CIA director. The newly nominated director, Mr William Webster, former head of the FBI, is expected to pursue a more conciliatory line with Congress.

Third world debt schemes find favour in House

BY NANCY DUNNE IN WASHINGTON

TWO PROPOSALS to ease the debt burdens of the developing countries are inching their way through the US House of Represetatives, where members see third world debt as a major contributor to the American trade deficit.

Neither plan has the support of Mr James Baker, the Treasury Secretary, who insists that any grant of debt relief which hurts the banks will prevent them from making additional loans.

One plan, devised by Congressman John LaFalce, a New York Democrat, was approved by a House banking subcommittee early this week. It calls for a study of a "debt adjustment facility" within the International Monetary Fund. Backed by a portion of the gold stock, it would borrow funds in the private market and buy up portions of the debt.

The special facility would help commercial banks voluntarily dispose of loans which they no longer wish to hold at a discount and it would "rebate" most of the discount to the debtor country in the form of lower principal.

The second debt relief plan, scheduled to get approval today by another banking subcommittee, was developed by Congressman Charles Schumer, another New York Democrat. Designed to give US banks the maximum flexibility, it would give the banks several options.

The options include writing down loans and forgiving a podtion of the principal; foregoinig or reducing interest payments; and promoting debt-equity swaps.

US personal spending rises after January fall

By Nancy Dunne in Washington

SPENDING by Americans rose 1.7 per cent in February after dropping a record 2 per cent in January, according to the Commerce Department.

While they spent more, Americans also earned more. Personal income rose 0.9 per cent in February, the best gain in 10 months. Disposable or after-tax income, increased even more, by 1.2 per cent, following a 0.9 per cent rise in January.

The spending figures, an important measure of prosperity, have been much distorted by the changes in the tax law beginning in January, which made sales taxes non-deductible. As a result, consumption shot up 2.4 per cent in December, while consumers rushed to buy cars and other expensive durables, when they could still earn tax deductions from the purchases.

In February car buyers returned to the showrooms, and purchases of durable goods—items expected to last three years or more—rose $4.8bn, after dropping by $69.7bn in January.

The income increases were more than most economists had expected. However, much of the gain was accounted for by a larger workforce, a working week which lengthened by 12 minutes to a total 35 hours, a 3 per cent pay rise for government employees and subsidy payments to farmers.

Personal savings—disposable personal income minus outlays—was $109.1bn in February, compared with $120.5bn in January and ($39.3bn) in December.

Bolivian miners in hunger strike

Some 9,000 Bolivian miners started a hunger strike yesterday for higher wages from the state mining corporation Comibol, a union spokesman said, Reuter reports from La Paz.

Mr Victor Lopez, executive secretary of the miners union, said fasting had begun in Oruro and Potosi and would spread to La Paz and other areas today. The government said the strike is part of a left-wing destabilisation plan.

Rod Oram reports on the background to the latest New York investment scandal

Tables turn on Wall Street trader

FOR YEARS, Mr Boyd Jefferies thumbed his nose at the Wall Street establishment by making markets in shares which had been temporarily halted on stock exchanges. He made lots of money and few friends.

Yesterday, the tables were turned on him. Trading was halted in over-the-counter trading of Jefferies Group shares while the news spread about Mr Jefferies' sudden departure from the company he founded in 1962. He was leaving after pleading guilty to charges of illegal share trades on behalf of Mr Ivan Boesky, the convicted insider trader.

Making markets in halted stocks was only a small part of Jefferies' business. Its main activity is block trading for institutional investors and it claims that its 190 trader-salesmen are the largest team in the industry. Armed with computer lists of institutions' shareholdings, the firm is highly effective at ferreting out buyers and sellers.

Motivation runs high. The traders are paid only commissions and reportedly themselves pay for travel and entertainment expenses.

Like its founder, the Los Angeles firm is an outsider. It is not a member of the New York stock exchange, although it trades heavily through a member firm, W & D Securities, which it controls indirectly. This angers many on Wall Street. "They take a position and then drop it on the floor," one Wall Street trader complained.

Jefferies claims some 65 per cent of the trading in this "third market" outside established exchanges. Third market volume equals roughly 3 to 5 per cent of NYSE volume.

The firm boasts a capability of trading 24-hours a day through its six US offices and one in London. Its appetite appears undiminished by large losses incurred on principal transactions in 1985 which brought a management shake-up and renewed focus on agency sales.

Even by the workaholic standards of the US securities industry, the brusque and secretive Mr Jefferies is exceptional. His day usually begins shortly after 1 am California time, following three to five hours of sleep at his spectacular cliff-top home overlooking the Pacific at Laguna Beach, 55 mides down the coast from Los Angeles.

Before his fall, he would usually be at his desk in downtown Los Angeles by about 2.30 am. The office has been described as shabby. Certainly, he has a reputation for parsimony.

Even before the last of his traders arrive by 4.30 or 5, the pace of dealing was already picking up from institutions around the world although the East Coast exchanges do not open until 6.30am California time.

Traders will probably stick with their gruelling routine but they have lost the man that drove them and the company.

Mr Jefferies has severed his relations with the firm and his 13 per cent shareholding is being placed in a trust.

If his colleagues were stunned yesterday by Mr Jefferies abrupt departure, it was at least characteristic. Mr Robert Kirby, a close friend and chairman of Capital Guardian Trust, recalled to Institutional Investor magazine pulling up alongside Mr Jefferies at a traffic light some years ago. It was early one morning, with Mr Kirby heading home from a party and Mr Jefferies heading for work.

"I saw this guy in a red Ferrari poring through his Vickers manual (of institutional stock holdings). "Before Mr Kirby could say hello, Mr Jefferies put his sports car in gear "and peeled out at 60 mph."

White 'not interested' in FBI job

US SUPREME Court Justice Byron White is not interested in leaving his post to become the head of the Federal Bureau of Investigation (FBI), a spokeswoman for the court said, Reuter reports from Washington.

The Washington Post reported that top Reagan Administration officials have held preliminary discussions about whether to ask Judge White to become the FBI's director.

"He has not been contacted. He does not expect to be contacted. He is not interested in leaving the court," Ms Toni House said.

Judge White, 69, a conservative on law and order issues, served as Deputy US Attorney General before he was appointed to the Supreme Court in 1962 by President John Kennedy.

The Reagan Administration is seeking a replacement for FBI Director Mr William Webster, who has been nominated by President Reagan to head the Central Intelligence Agency (CIA).

US District Judge D. Lowell Jensen of San Francisco, a long-time associate of US Attorney General Edwin Meese, is a leading candidate, Justice Department officials said.

Middle East countries request US protection of shipping

THE US GOVERNMENT has begun reviewing the scope of its military operations in the Gulf because countries in the region have asked for US protection against Iranian attack on commercial shipping, AP reports from Washington.

The requests by Kuwait and other, unidentified Gulf nations were made some time ago, government officials said. But they have taken on a new urgency because of the recent revelation that Iran has acquired and tested a new land-based missile that could be used against ships plying the Gulf, the sources said.

To date, the US response to the presence of the new missiles has been fairly low key, consisting of warnings to Iran – sent through "indirect diplomatic channels" – against using the missiles, a source said.

Suggestions also have been made through diplomatic channels to other shipping nations "to lean on (pressure) the Iranians," the source said.

But Iran's acquisition of Chinese-built HY-2 missiles has sharpened the alarm of other countries that depend on the gulf as their lifeline.

"A number of countries have approached us because they are afraid of being threatened by Iran and asked us to protect their ships," said one source.

As a result, the Defence Department has begun reviewing its deployment of naval forces in the area, debating whether the navy's Middle-East task force should be increased in strength or whether navy ships should be ordered to play a more active role by escorting foreign-flag ships, the officials say.

The sources described the current situation as a "matter of deep concern," even though there is conflicting evidence as to whether Iran actually has deployed the new HY-2 missile batteries.

What is clear, however, is that Iran has acquired at least two batteries of the missiles, or about 12 of the 20-foot rockets, the sources said. And since the batteries are mobile, "they could be set up very quickly," observed one official.

The presence in Iran of the HY-2 missiles, a modified version of a Soviet weapon known as the Styx, was first disclosed by Defence Department and intelligence sources last week.

Although originally designed more than 20 years ago, the missiles are considered a potent addition to Iran's arsenal because they have a range of roughly 50 miles and can carry 1,000 pounds of explosives.

Iran and Iraq, which have been fighting a war since September 1980, have sought to cripple each other's oil and cargo trade by attacking commercial ships in the Gulf.

Until recently, Iran conducted such attacks primarily from aircraft during daylight hours. Defence Department sources at the Pentagon disclosed early this year that some Iranian patrol boats had been equipped with Italian-made "sea killer" missiles that can be used at night. Such weaponry, however, does not possess the explosive power of the HY-2.

More significantly, the Iranians were observed by US intelligence agencies several weeks ago "testing a HY-2 from a position where they could cover the entire Strait of Hormuz," said a source.

That strait is the only passageway into the gulf and is 50 miles wide at its narrowest point.

The Iranians tested the HY-2 missile from an island in the strait known as Qushm. It appeared the battery was removed after the test, but there is still some debate about that, the sources said.

The issue confronting the US Government centres on whether it should respond to the diplomatic entreaties by increasing its military presence.

The navy's Middle-East task force normally consists of a single command ship and four or five destroyers and frigates.

Dole's office robbed

THE NATIONAL campaign headquarters of Senate Republican Leader Robert J. Dole of Kansas, who is a likely presidential contender in 1988, and an adjacent office were yesterday broken into, police said, AP reports from Washington.

"We haven't determined at this time if it was committed for monetary reasons, for taking office equipment and converting it to cash or if it could possibly have some kind of political overtones," a police spokesman said.

Mr Dole's campaign director Mr William B. Lacy said that the 25-member staff of the Dole for president exploratory committee had moved into a suite on L street in the north-west section of the city two weeks ago and had barely unpacked, making it difficult to determine what had been taken.

Protest banned in Venezuela

VENEZUELA yesterday banned a protest march in Caracas called for today and said leftist subversives were behind a riot in the western city of Merida in which a student was shot to death, Reuter reports from Caracas.

WORLD TRADE NEWS

C & W will keep fighting Japan telecom merger

BY IAN RODGER IN TOKYO

CABLE and Wireless, the UK telecommunications group seeking a place in Japan's international telecoms industry, said yesterday it would continue to fight a merger of two consortiums competing for a licence to operate in Japan.

"We are standing firm," a C & W official said in Tokyo yesterday after meetings with the group's Japanese partners. "We want a fair and transparent assessment of the two proposals first, and then we can talk about mergers."

C & W has received strong support from the British Government in its bid to stop the merger.

It emerged yesterday that the US Commerce Secretary, Mr Malcolm Baldridge, had also recently written to the Japanese criticising a merger.

On Wednesday, it was announced that the leading Japanese companies in the consortiums had agreed to merge and, as part of the agreement, C & W and other foreign participants would be cut to about 3 per cent each in the merged company.

C & W has a 20 per cent stake in one of the consortiums, International Digital Communications Planning (IDC), while Pacific Telesis and Merrill Lynch of the US have 10 per cent and 3 per cent respectively.

Mr Fumio Watanabe, a senior businessman retained as a mediator between the two consortiums, said in Tokyo on Wednesday that the Japanese partners had agreed on a merger.

C & W officials claimed, however, that C. Itoh trading group, a leading partner in IDC had made clear that it would agree only if C & W would go along with the merger. C & W officials are due to meet Mr Watanabe this morning.

C & W, supported by the British Government, would like both consortium's proposals examined since they believe the IDJ proposal would beat that of the rival International Telecommunications Japan (ITJ).

The Japanese Ministry of Posts and Telecommunications would much prefer to deal with only one applicant, and it has also strongly opposed any significant participation by foreign telecoms companies.

Mr Baldridge in his letter to Mr Shunjiro Karasawa, MPT minister, said a merger was inconsistent with the spirit of recent US-Japan negotiations aimed at increasing foreign participation in the Japanese telecommunications industry.

Indonesia looks at bids to build gas facility

By John Murray Brown in Jakarta

INDONESIA, the world's largest exporter of liquefied natural gas (LNG), is considering offers from five foreign companies to construct a $400m (£285m) gas facility in East Kalimantan, formerly Borneo.

The new facility will supply gas to meet the contract signed in Jakarta yesterday with Taiwan's China Petroleum Company (CPC) under which CPC will take annual delivery of 1.5m tonnes of LNG, with first shipments expected in 1990.

The four companies are Kellogg and Bechtel of the US, Chiyoda and JGC of Japan, and Lurgi, of West Germany, Indonesian officials said.

The deal, signed with Pertamina, Indonesia's state oil company, ends almost two years of negotiations with Taiwan and follows the pattern of earlier accords with Japan and South Korea.

Under the contract, the LNG will be pegged to the fixed price of a basket of Indonesia crudes, currently set at $17.56 a barrel.

Indonesia reached new price agreement with eight Japanese utility companies last month.

Japan was until last year Indonesia's only gas customer, taking annual shipments of 15m tonnes under a 20-year contract signed in 1973.

McDonnell wins Swissair order for 6 MD-11 jets

BY JOHN WICKS IN ZURICH

SWISSAIR, the Swiss national airline, has placed an initial order worth SFr 1.2bn (£521) with McDonnell-Douglas for six MD-11 jets, with options on a further 12 aircraft.

The decision, announced in Zurich yesterday, is a further blow to the European Airbus programme after the recent SAS order of 12 MD-11 airliners.

The present order, says Swissair, is "only a first step" in the replacement of its existing fleet of 11 DC-10s. In the coming months, the airline is to study whether the remaining DC-10s should be replaced "by MD-11s or by a combination of boeing 747s and MD-11s."

Swissair's chairman Mr Armin Baltensweiler, said the airline's planning staff had been drawing up specifications and compiling comparative data on the MD-11 and the Airbus A-340 "for the past two years or so."

"It was ultimately the early availability of the MD-11 in 1990 and the prospect of a smooth operational transition from the DC-10 to the new transport that finally swung the pendulum in favour of the US aircraft after exhaustive study of all the pros and cons," Mr Baltensweiler said.

Swissair had added four Airbus A-310 Intercontinental aircraft to its fleet last year, and now operates a total of nine Airbuses.

No decision has yet been made on which engine will power the new MD-11s. Contenders are General Electric and Pratt & Whitney of the US and Rolls-Royce of the UK.

● Volvo, the Swedish automobile, energy and food group, has won an order worth SKr 330m (£33.6m) for engine parts manuafactured by its aircraft engine division, Sara Webb reports from Stockholm.

This follows American Airlines' decision earlier this month to order 25 Airbus A300-600R and 15 Boeing B767 aircraft equipped with General Electric CF6-80C engines.

The order for General Electric engines is worth $650m (£464m) and is the company's largest commercial jet engine order.

The CF6-80C engine is used in the Boeing B767, and B747 as well as Airbus A310 and A300-600R aircraft. Volvo's aircraft division contributed 8 per cent of the development costs for the engine and sent its own engineers to co-operate with General Electric in the development programme.

Tokyo seeks further cuts in chip production

By Carla Rapoport in Tokyo

JAPAN intends to ask semiconductor makers to cut production further in the second quarter of this year in order to help preserve the US-Japan semiconductor trade pact.

Last month, the Ministry for International Trade and Industry (Miti) called on major chipmakers to cut production by up to 20 per cent in order to boost local chip prices and reduce the amount of dumping, mainly in South-east Asian countries.

Next week, Miti intends to ask for a further average 10 per cent cut in production, in the second quarter.

Lack of response

The move comes as the Japanese are becoming increasingly jittery about the lack of response from the US Government on their recent initiatives to preserve the chip pact agreed last year.

That pact was aimed at reducing dumping of chips in the US and improving US chipmakers' access to the Japanese market.

Since that time, US chip prices have increased, but the US has bitterly complained that Japanese companies are circumventing the agreement by dumping chips in third-country markets for re-export to the US.

Greater efforts

Earlier this week, Mr Yasuhiro Nakasone, Japan's Prime Minister, called on Miti officials to make greater efforts to resolve the semi-conductor trade dispute with the US.

Miti subsequently explained that it believes the production cutbacks will cause prices to increase and the alleged dumping to disappear.

The prime minister's intervention came with only two weeks remaining until the deadline by which the US Government is threatening to withdraw from the chip trade agreement signed last September.

If the US does withdraw from the pact, it will mean the imposition of stiff anti-dumping duties on Japanese chips and a great loss of face for the government.

AFTERMATH OF THE FAIRCHILD-FUJITSU FIASCO

Trade policy problems unresolved

BY LOUISE KEHOE IN SAN FRANCISCO

THE MAJOR issue of US policy toward foreign investment in strategically sensitive industries remains unresolved following this week's collapse of the controversial Fujitsu-Fairchild Semiconductor merger plans. In many respects it has raised more questions than it has solved.

The merger of Fairchild with the US chip operation of Japan's Fujitsu was widely seen as a test case of US trade policy. The deal was abruptly cancelled on Monday in the face of mounting political pressure from Washington where objections to the merger ranged from national security to trade friction with Japan.

The question of where the Administration stands is now being asked. Mr Donald Brooks, Fairchild Semiconductors' president, is not alone when he asks: "What is the Administration's policy on foreign, particularly Japanese investment in the US chip industry today."

Mr Malcolm Baldrige, US Commerce Secretary, is urging a Cabinet-level policy review, while a House of Representatives committee has proposed giving the President powers to block foreign investments that threaten national security.

US semiconductor industry executives are not sure what to make of the proposals. "Government intervention in any takeover proposal should be limited to national security and anti-trust issues," said one Silicon Valley executive.

The Semiconductor Industry Association, which represents US chipmakers, has "no position" on the issue yet.

For some US companies, such a change in government policy could present problems. Several small start-up electronics companies have turned to Japan for financing and even some of the largest US chip makers are reported to have held discussions about equity investments with Japanese groups.

It is also clear that setting limits on foreign investments would do little to stem the flow of critical US technology abroad.

Despite the collapse of the planned merger, Fairchild and Fujitsu will move ahead with plans to forge a close strategic alliance, Mr Brooks said, sharing technology, manufacturing facilities and products.

The "globalisation" of the semiconductor industry will continue despite US government objections, he maintains. Fairchild's determination to build a partnership with Fujitsu mirrors similar moves by many of the largest US semiconductor and computer manufacturers.

"One of the most overwhelming trends in today's semiconductor industry is the increasingly global nature of the business," say analysts at Integrated Circuit Engineering, a US market research firm.

For many companies, international alliances provide an opportunity to build up a foreign presence and sales without the heavy plant construction costs. National Semiconductor, for example, signed a long-term agreement for the development and manufacture of advanced chips with NMB Semiconductor of Japan.

In other cases, the alliances represent a pooling of resources. General Electric, Siemens of West Germany and Toshiba are, for example, jointly developing a library of standard cell chip designs that each can offer to users of "semi-custom" chips.

In one of the most wide-ranging US-Japanese semiconductor alliances, Motorola and Toshiba are collaborating in the development and manufacturing of memory chips and microprocessors, and Advanced Micro Devices is seeking an entry into the Japanese consumer electronics market through a long-term agreement with Sony.

Until now, the national security and trade implications have not been questioned.

But Mr Brooks does not expect Fairchild's links with Fujitsu to go unnoticed in Washington. They could raise many of the same objections voiced in Washington against the proposed merger, Mr Brooks concedes.

"I anticipate that my competitors will continue to raise protectionist objections," added Mr Brooks, who blames industry executives for "kindling the fire" of opposition in Washington. "But they have no right to object."

Backing likely for 'retaliate' call to Reagan

BY NANCY DUNNE IN WASHINGTON

A RESOLUTION calling on President Ronald Reagan to retaliate against Japanese semiconductor companies was expected to receive overwhelming support in the Senate yesterday.

The resolution is non-binding. But it conveys the Senate's sentiments to the White House which next week is to consider action on the alleged failure of Japanese companies to refrain from "dumping" semiconductors in third markets.

Congress desperately wants the President to "stand tall" against Japanese exports, and if he refuses, it will try to force him to act in its Trade Bill. A House committee chairman recently described relations between the two nations as "poisoned."

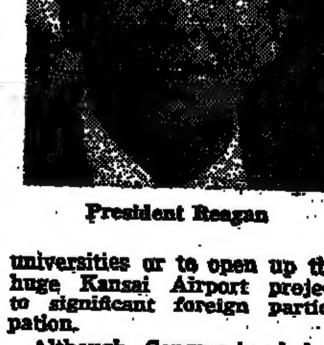
Progress has at most been at snail's pace on several disputes. Administration pressure was blamed for the collapse earlier this week of the plan for Fujitsu of Japan to take over Fairchild Semiconductor. National security reasons were given as the cause for the action but trade friction between the US and Japan played an unspoken role.

The belief that Japan is "an obvious abuser" of a wide-open US market has taken deep root both in Congress and in middle America, according to Congresswoman Ms Marcy Kaptur, an Ohio democrat.

Among Ms Kaptur's constituents, there is anger that the US government seems powerles to stop Japanese imports and, she says, a "feeling that the Japanese are laughing at us behind their hands."

In Congress, cynicism has taken hold. One legislator recently recommended the addition of an "Ah so" amendment to the trade bill. It would, he said, provide for those instances when the Japanese promise some action and then fail to keep the agreement.

It is this kind of failure the White House must address in the Economic Policy Council session next week. Along with semiconductors, the Cabinet-level group is scheduled to discuss Japan's refusal to buy American supercomputers for government agencies and universities or to open up the huge Kansai Airport project to significant foreign participation.



President Reagan

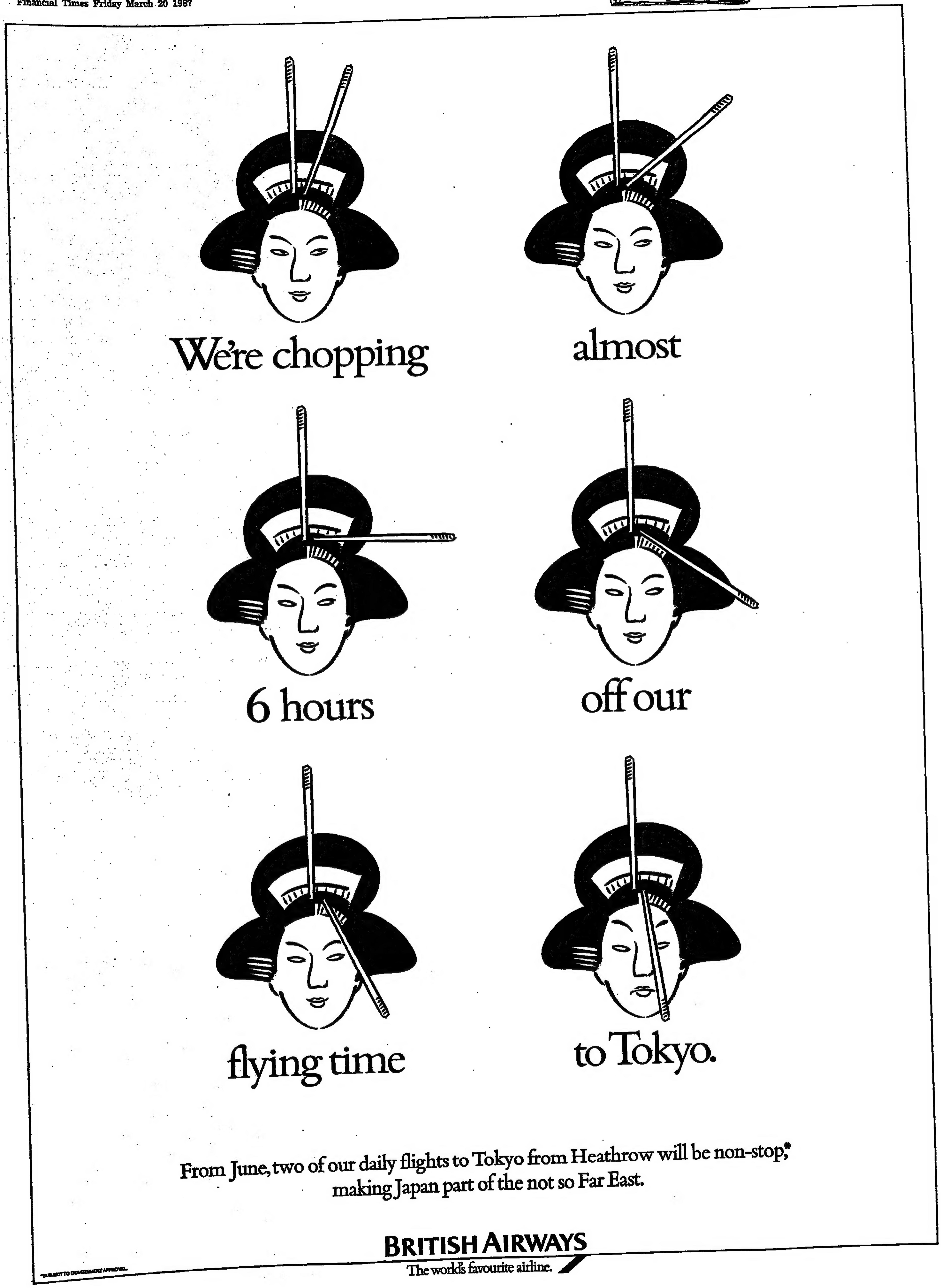
Although Congressional leaders have tried to keep their trade legislation free of sectoral protection, two provisions are receiving increasing support as a result of the perceived Japanese failure to respond to US "market opening" campaigns.

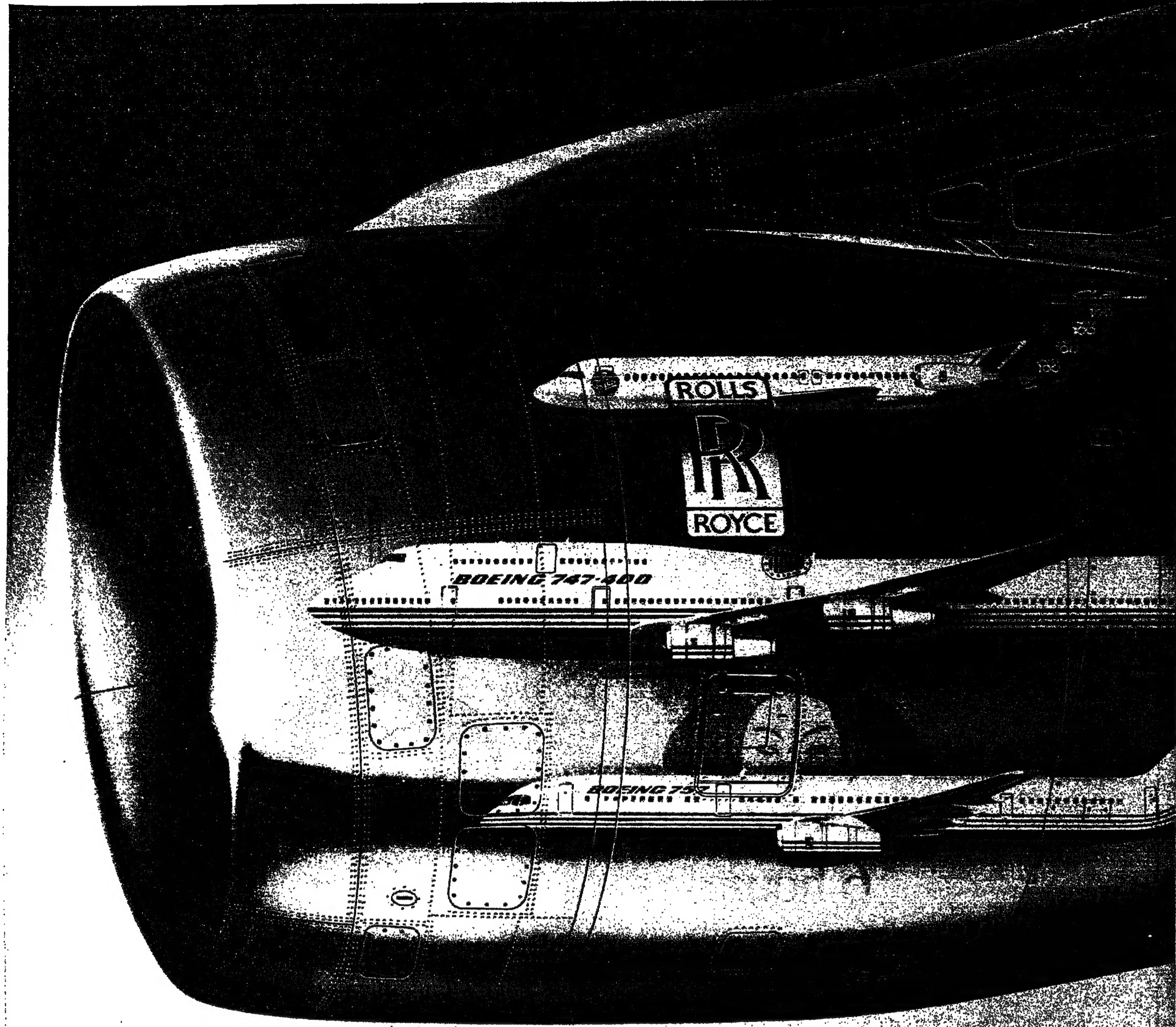
One would require the President to retaliate against countries that keep their markets closed to US telecommunications equipment and services. The other, being pushed by Ms Kaptur, would retaliate against any country, particularly Japan, which closes its domestic car parts market.

"More than half of the $60bn to 43bn US trade deficit with Japan in 1986 came from imports of Japanese vehicles and parts," said Ms Kaptur.

". . . only 20-30 of the material content of cars assembled here by Japanese companies is purchased from American suppliers. The exclusionary business practices used by the Japanese have now been transferred to our own soil."

The Americans seem to be reaching boiling point at an unfortunate time. Unemployment in Japan is rising and its businesses are being hit by the stronger yen so, as Tokyo finds itself with increasingly less room to manoeuvre, a dangerously deteriorating relationship between the two allies may be unavoidable.


We're chopping
almost
6 hours
off our
flying time
to Tokyo.
From June, two of our daily flights to Tokyo from Heathrow will be non-stop,*
making Japan part of the not so Far East.
BRITISH AIRWAYS
The world's favourite airline.
*SUBJECT TO GOVERNMENT APPROVAL.



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FT LAW REPORTS

Mixed oil is held in common

GREENSTONE SHIPPING COMPANY SA v INDIAN OIL CORPORATION LIMITED
Queen's Bench Division (Commercial Court): Mr Justice Staughton: March 18 1987

WHERE a shipowner wrongfully mixes cargo with goods of his own of a similar nature and quality so that they cannot be separated, the mixture is held in common and the cargo owner is entitled to delivery of a quantity equivalent to his original contribution.

Mr Justice Staughton so held when dismissing an appeal by Indian Oil Corporation Ltd, receivers of cargo, from an arbitration award that they were entitled to no more than $46,014 damages for short delivery against shipowners, Greenstone Shipping Co SA.

HIS LORDSHIP said that on *November 29 1980 the ship*owners chartered their vessel, Ypatianna to the Shipping Corporation *of* India for the carriage of oil from Russia to India.

A bill of lading recorded that 69,276 metric tons of crude oil were shipped at Novorossisk. The *owners mixed the oil with* other crude oil which was their own property.

There was short delivery at Madras compared with the bill of lading quantity. The arbitrators awarded the receivers damages of $46,014. The receivers *contended they* were entitled to $388,000 on the basis that all the pumpable oil on board the vessel at Madras was their property.

The arbitrators found that there was inter-connection between the vessel's cargo, ballast *and fuel oil systems*, which was a breach of the International Maritime Organisation and Classification Society rules. There was a hint that the owners were going equipped for theft; but the court declined to infer deliberate wrongdoing on their part. It was sometimes appropriate and necessary to make inter-tank transfers.

Mr Rokison for the receivers submitted that where B wrongfully mixed A's goods with goods of his own, so that the original goods could not be separated or identified, the whole of the mixture became the property of A.

Mr Pollock for the owners submitted that where a wilful admixture occurred *without* consent, both parties had a joint interest in the whole, and the innocent party was entitled to receive his full contribution from the mixture even if it had been diminished by subsequent accidental loss.

Alternatively he submitted that the general rule was as above, *but* that the innocent party was entitled to the whole if (i) the admixture was deliberately brought about for the purpose of depriving the innocent party of his *rights, or* making them difficult to enforce, and (ii) if it was impossible to tell with any certainty what the contributing properties had been.

There were numerous and very distinguished authorities. But it was agreed on both sides that none of them was binding

Two points of significance *emerged from the authorities.* First, in some cases a decision had to be made "not upon the notion that strict justice was done, but upon this; that it was the only justice that could be done" (per Lord Eldon in *Lupton v White (1808) 15 Ves Jun 432, 440)*.

Or, as Lord Moulton put it in *Sandeman v Tyzack [1913] AC 680, 695*, such cases "have been little more than instances of . . . reasonable adjustments of the rights of the parties in cases where complete justice was impracticable of attainment."

Secondly, if *the wrongdoer* had destroyed or impaired the evidence by which the innocent party could show how much he had lost, the wrongdoer must suffer from the resulting uncertainty.

The combined effect of those principles would justify and require that where it was totally unknown how much of the *innocent party's goods* went into the mixture, the whole should belong to him.

But they did not require or justify the same result where it was known how much was contributed by the innocent party, or even what the maximum quantity was that he could have contributed being something less than the whole.

That would not be "the only justice that could be done"; it would be injustice.

Blackstone said that "our law, to guard against fraud, gives the entire property . . . to him *whose original dominion* is invaded . . . without his consent" *(1876) ed 4, II 358.*

It was not the function of civil justice to punish or discourage crime by awarding the victim more than he had lost, unless in the case of an award of exemplary damages. In the present case there was a hint that the owners were engaged in wrongdoing; but on the award the court did not conclude that they mixed the cargo with their own for some commercial motive.

It would be a severe penalty to impose on them a fine of $342,000 for their conduct (being the difference between the receivers' claim of $388,000) and the award in respect of shortage. There was no justice in that.

Seeing that none of the authorities was binding, although many were certainly persuasive, the court was free to apply the rule which justice required.

*That was that where B wrong*fully mixed the goods of A with goods of his own which were substantially of the same nature and quality, and they could not in practice be separated, the mixture was held in common, and A was entitled to receive out of it a quantity equal to that of his goods which went into the mixture, any doubt as to that quantity being resolved in A's favour. He was also entitled to claim damages from B for any loss he might have suffered, in respect of quality or otherwise, by reason of admixture.

Whether the same rule would apply when the goods were not substantially of the same nature and quality did not arise.

The mixture was held in common by the receivers and the *owners. The receivers were* entitled to an amount equal to their contribution to the mixture. The appeal *failed* and the award was upheld.

For the owners: Gordon Pollock QC and Peregrine Simon (Williamson & Westlake).

For the receivers: Kenneth Rokison QC and Peter Gross (Ince & Co).

By Rachel Davies
Barrister

NO COSTS FOR EXPERT EVIDENCE

HALVANON INSURANCE CO LTD v JEWETT DUCHESNE (INTERNATIONAL) LTD AND ANOTHER
Queen's Bench Division (Commercial Court): Mr Justice Staughton: March 2 1987

COSTS will not be awarded in respect of an expert witness who, in the absence of any plea of custom of practice, is unnecessarily called to give evidence as to the meaning of ordinary English words in a contract.

Mr Justice Staughton so held when giving judgment for the first defendant, Jewett Duchesne (International) Ltd in its claim against third party, Signor Massino Penco. The plaintiff in the action was Halvanon Insurance Co Ltd, and the second *defendant* was Bavaria Assicurazioni SpA, formerly known as Compagnia Italiana Di Assicurazioni E Reassicurazioni Assicarlotta SpA.

HIS LORDSHIP said that in the third party claim, Jewett Duchesne said that Signor Penco signed a reinsurance slip in his capacity as managing director of an Italian company called Grandi *Rischi*, and ostensibly on behalf of Assicarlotta.

It was said that Signor Penco had no authority to sign on *behalf of* Assicarlotta, that Jewett relied on his signature.

The question was whether Grandi Rischi or Signor Penco did have authority. Reference was made to a document which to some extent conferred authority on Grandi Rischi to act for Assicarlotta, but it had "excluding USA" inserted in the *territorial limits.*

It was established that Signor Penco signed without authority.

Jewett Duchesne had produced an expert report of a Mr Harris, saying that the authority to bind Assicarlotta, which was limited by the words "excluding USA," did not permit Signor Penco to sign contracts which did not contain words "excluding USA."

No expert evidence was required to say that. There was no custom or practice alleged; it was simply the *ordinary meaning of the* English language.

All too often nowadays one found that unnecessary expert evidence was adduced. That led to unnecessary prolongation of trials and unnecessary expense, and it was happening far too *often. The meaning of a writ*ten contract was a matter of law for the court on which expert evidence was of no assistance unless there was some plea of custom or practice.

Accordingly, judgment was given *for* Jewett Duchesne against Signor Penco for £50,000 and costs, excluding the costs of Mr Harris's report.

For Jewett Duchesne: Gavin Kealy (Pickering Kenyon).

Halvanon, Assicurazioni and Signor Penco were not represented.

Rolls-Royce sees through smugglers

David Fishlock on the UK aero engine group's unusual application of X-ray techniques

X-RAY technology from the laboratories of Rolls-Royce, the UK aero engine company, lies at the heart of a £40m export contract for a system that automatically "frisks" 40-tonne freight cargoes for contraband.

Rolls-Royce is part of a British consortium which recently completed two novel inspection systems in the Middle East, searching mainly for weapons being smuggled in commercial cargoes. The contract has given a boost to a Rolls-Royce initiative to delve into its £250m-a-year research and development programme for ideas that might provide profitable "spin-offs" in other commercial sectors.

Enthusiasm to tackle commercial challenges outside its mainstream gas turbine business comes from the top. Mr Stewart Miller, main board director of engineering, says the cost of exploiting commercial technology comes out of his R and D budget, but he is encouraged by the opportunities it has turned up and hopes to see the activity grow.

He sees it as challenging the imaginations of scientists and engineers, whose efforts have been focused on the complex and highly competitive gas-turbine business.

In particular, he believes the unique Rolls-Royce methods used to verify components and guarantee their integrity will attract interest from various industries with quality control problems. For example, could the way Rolls-Royce inspects single-crystal turbine blades for crystal perfection interest the diamond industry?

The X-ray technology which has raised commercial hopes began in 1970 as a scientific challenge to make a "transparent" aero-engine, by using various rays to peer into the engine while it was running. Engine designers needed to know more about how the myriad parts of a gas turbine behaved as the engine heated up and cooled down; how components expanded; how seals opened or closed; how lubricants flowed; and so on across the spectrum of operating conditions.

The advanced projects group at Bristol, led by Mr Peter Stewart, began the task using high-energy X-rays to illuminate engines running on the test bed. The group developed a real-time TV X-ray system powerful enough to penetrate 25 cm of steel; though not so powerful as to leave any part of the engine radioactive.

The system can easily be moved among the engine test cells at Bristol and Derby. Mr Stewart and his team shared the MacRobert award for this technique in 1985.

In 1980, the group had a call from Sperry Gyroscope, later bought by British Aerospace, asking if it could render a bus "transparent."

The problem Sperry was tackling, on behalf of some unidentified clients, was smuggling — particularly of arms — across frontiers in the Middle East. Mr Stewart's group made a video of the X-ray technique showing how, by image enhancement, an inspector could freeze a suspicious feature and zoom in for closer scrutiny.

It transpired that behind the original question was a problem of speeding the transit through ports of 40-tonne freight containers without increasing the risks of smuggled arms. The established practice was to subject containers to a lengthy and labour-intensive 100 per cent search. Some ports were trying to cope with up to 3,000 containers a week.

In 1984, the groundwork resulted in an order, from the unidentified clients, for two vehicle cargo examination systems, called Falcon I and II. An association of British companies, including Rolls-Royce, British Aerospace and Taylor Woodrow, carried it out.

The Falcons' computer-managed X-ray facilities operate by putting 60-tonne articulated lorries on a conveyor which carries them through a concrete tunnel and past the X-ray camera at a rate of about 40 an hour. The camera films every square centimetre of vehicle and cargo.

All the skill and experience the Rolls-Royce advanced projects group has accumulated looking for leaks in gas turbine flows have been transferred to the Falcons, says Mr Tony Lewcock, one of the physicists. The techniques include large-format imaging over one square metre and precision measurements taken from such images. Mr Lewcock claims that the instruments can pick up items as small as a penknife or 50p coin.

Among other inquiries, Rolls-Royce has received one from the Department of the Environment, responding to demands from nuclear industry critics for better ways of guaranteeing the integrity of nuclear waste packages for burying.

The department intends that all but the most intensely radioactive material will be buried in steel drums, with the waste — fabrics, swarf, sludges, etc — set in cement. The problem is that the drums' radioactive contents can put "noise" into an X-ray image and obscure details.

Rolls-Royce has shown that its image enhancement can be tuned to avoid any degradation. Its TV X-rays, applied to a drum slowly revolving before the camera, reveal voids, cracks and clumps of uncemented material. The continuous movement even enhances the image of a fine crack, as Rolls-Royce researchers discovered in early experiments on the jet engine. As Mr Lewcock puts it, when the faint smudge of a crack lines up with the X-ray beam, "it almost blinks at you."

The Falcons order persuaded Rolls-Royce to launch Commercial Technology, an activity headed by Mr David Harvey at chief engineer level within the company. Mr Harvey's team of 12 scientists and engineers is scouring the company's research and development effort for more "enabling technologies" which, like X-rays, can be exploited outside the gas turbine business.

Mr Miller, his boss, wants to see more made of the X-rays, which have proved such a boon to engine design and development in the past decade. The techniques have also led to research on other rays — neutrons and positrons, for example — to illuminate features of engine behaviour. It is now possible to make spot measurements of temperature deep inside an engine.

Mr Miller is also keen for Commercial Technology to exploit some of Rolls-Royce's advanced manufacturing technology, such as electro-mechanical machining (ECM), a process the company has been researching for three decades. The company uses it to sculpt exceptionally tough alloys of titanium and nickel into complex shapes, such as turbine and compressor blades, and to bore fine channels to help cool blades.

In its most advanced form, at Bristol, ECM is being used by robots to fashion blades from solid bar in as little as four minutes.

Mr David Harvey, head of Rolls-Royce's Commercial Technology group, with the chairman of his "enabling board," Mr Stewart Miller. Mr Harvey is holding a RB211 turbine blade manufactured in single crystal alloy—an example of technology that may interest other industries

A bit of lateral broking

"TECHNOLGY transfer is bloody hard work. That's what people under-estimate," says Mr David Harvey, who managed a team of 80 in acoustic engineering before he was picked to head Commercial Technology.

Commercial Technology is an autonomous group with its board chaired by Mr Stewart Miller, Rolls-Royce's director of engineering. Mr Harvey calls this his "enabling board." It gives him the freedom to look anywhere in Rolls-Royce for technology which might transfer profitably to another, non-competing business sector.

"One of the problems is to find out what the market really wants," says Mr Harvey. "That's where it needs a bit of broking."

The group is a technological brokerage, focusing on the research, development and design functions reporting to Mr Miller. These add up to a budget of about £250m a year, of which £100m is put in by the company and the rest by government, mainly the Ministry of Defence.

Mr Harvey began by studying how other companies had approached the idea of exploiting a strong technology base, among them Boeing, Lockheed and Pilkington. One barrier he found was that "research people don't want to talk to people in pinstripes." His team is composed of engineers and scientists who talk the same language as those whose technologies they want to explore.

The kind of person he found he was talking to was technically brilliant but, even if he had sound ideas for exploiting his technology elsewhere, he had no experience of the marketplace. Because of the diversity of skills which seemed ripe for exploitation, Mr Harvey took an early decision to engage outside help in market research.

One lesson he has learnt is that, although people may repeat the formula that for every £1 spent on research, £10 must be spent on development and £100 to get it into the market, they do not really grasp the immense financial implication. He recruited as his project manager Mr Tony Lewcock who, as a member of the advanced projects group, had been close to the X-ray work from the start.

Commercial Technology is run as a profit centre and showed a turnover of nearly £1m last year. Its board has undertaken to find the cash for development and manufacture, provided Mr Harvey can demonstrate that there is sufficient commercial interest. It has to be something that offers rewards commensurate with the kind of business Rolls-Royce is already in.

Rolls-Royce, as Mr John Wragg, director of military engines, said recently, is no playground for engineers.

Cracking open the hot-rock idea

THE PROSPECT of obtaining energy from the planet's internal store of heat has long preoccupied geological experts.

Geothermal energy could heat homes or generate electricity, but the problem has been to determine accurately the idea's technical and economic viability.

The German Research Service in Bonn reports that a joint European attempt is underway at Haguenau in Alsace, France, where hot rock lies relatively close to the surface in a geologically "young" rock fault.

The project will draw on the experience of a team in Los Alamos in the US, where a hole was bored to 2,600 metres and hydraulic techniques used to create a system of fine cracks. A second borehole was sunk close to the first, so that cold water injected into one emerged as high temperature water from the other, having picked up heat in the cracks.

One problem is to hit the crack zone accurately with the second hole. The Franco-German team hopes to solve this and clarify other issues such as system efficiency, the rate at which the water can flow and the number of boreholes per installation.

Nearly £1.5m of European Community funds is being applied to the project, with a further £1m from the German Government.

Sales boost for storage system

PHILIPS, the Dutch electronics major, reports that it has sold 20 of its Megadoc optical storage systems in Europe since the launch in 1983, 12 of them last year. In the first two months of this year, 10 have been ordered.

Megadoc, which has a starting price of about £180,000, is aimed at organisations where quick access and inspection of original documents is essential — for example, in insurance companies and hospitals.

It scans a document in a few seconds and laser-engraves a facsimile of it, in digitised form, on to a 12-inch optical disc. Each disc can hold about 0.5m pages of text. The recording cannot be erased. Any document can be quickly retrieved and viewed on a screen at a definition comparable with the original.

Philips has recently enhanced Megadoc and the latest versions have electronic card indexing systems for the documents, interworking with personal computers and access facilities for telex and facsimile services.

Users now include Iberia and Alitalia airlines, Union Bank of Switzerland, the Belgian Ministry of Justice and the Dutch Land Registry.

The only Megadoc sale in the UK so far has been to Optical Storage (OSL), which will offer a bureau service from Leatherhead, south of London. OSL will help new Megadoc owners with their initial document scanning backlog and will also run a scanning and retrieval [illegible] [illegible] menters hope to persuade energy and other companies to form partnerships.

WORTH WATCHING

Edited by Geoffrey Charlish

Colour check on the move

WELSH company [illegible] Electronics has devised a £4,800 image capture system to check the registration of rotary press colour printing with the web moving at 1,000 ft/min.

The passing web's registration marks are frozen by a millionth of a second light flash and held long enough by an undisclosed proprietary method to be scanned by a TV camera. Then, a frame of the resulting TV signal is captured in an electronic frame store and read out on to the screen as a still of the web at that moment.

CONTACTS: Alsace project: German Research Service, West Germany, [illegible]. Philips: Telecoms and Data Systems, The Netherlands, [illegible]. [illegible] Electronics: UK [illegible].

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UK NEWS

Hopes rise as jobless fall nears 3m barrier

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE OFFICIAL unemployment count fell by 44,000 last month, holding out the possibility that the total could be below the politically sensitive 3m level by the summer.

Lord Young, the Employment Secretary, said that the drop was the largest since official records had been kept, and there was little doubt that the recent downward shift would continue. He predicted the total would fall below 3m in two, three, or four months.

Since the middle of last year, the number has fallen by about 24,000 a month, which officials said was now the best guide to the underlying trend. On that basis it would dip below 3m by June, a month increasingly regarded as one of the most likely choices for the general election.

Opposition spokesmen said that the reduction reflected the 19 changes since 1979 in the way the figures are calculated. There was a deliberate attempt by the Government to "massage" the total ahead of a general election in the summer or autumn. Mr John Prescott, Labour's shadow Employment Secretary, called the figures "a statistical conjuring trick."

The Department of Employment said the seasonally-adjusted total of those eligible for unemployment benefit stood at 3.074m in February, 44,000 lower than the previous month. The unadjusted total, which includes school-leavers, fell by 71,000 during the month to 3.226m.

Since February 1986 the claimant total, including school-leavers, has fallen by 111,000. According to the *Department of Employment's figures*, the bulk of this can be accounted for by expansion of special jobs and training schemes and by disqualification of claimants.

Over the last 12 months, the expansion of special schemes for adults has taken 50,000 off the register. During the same period, the number on the Youth Training Scheme rose by 58,000.

The Department yesterday declined to specify the impact of the YTS, but on the basis of past relationships the expansion over the past year would have reduced the jobless total by 40,000.

Official figures show that a further 11,000 people have been disbarred from benefit as a result of interviews under the Restart programme for the long-term unemployed.

Mr John Shields, director of the Employment Institute, said that the effect of the Restart scheme in discouraging the unemployed from claiming benefit was likely to be much larger that published statistics suggested. Another 30,000 to 40,000 people might have been "discouraged" from claiming benefit.

The Employment Department's reluctance to publish full statistics for job and training measures makes it difficult to gauge the underlying trend in the labour market over the last six months. It appears, however, that the sharp fall in the jobless total during that period is at least in part attibutable to the upturn in economic output as well as to official measures.

After a pause in the early part of 1986, the growth of output has accelerated, bringing some slowing in the rate of job losses in manufacturing and slightly faster growth of employment in services.

Kinnock rebuffs Scargill in letter to Welsh miners

BY PHILIP BASSETT, LABOUR EDITOR

MR NEIL KINNOCK, *the Labour* Party leader, has snubbed Mr Arthur Scargill, president of the National Union of Mineworkers (NUM), by backing the decision of miners in South Wales to accept new working methods.

Mr Kinnock's praise of the "courage and foresight" of the South Wales area of the NUM in agreeing to hold talks with British Coal on details of six-day working at the proposed new mine at Margam amounts to one of his most public rejections of traditional union attitudes since the end of the 1984-85 miners' strike.

It may well be of benefit to Mr *Kinnock and Labour electorally in* making clear the distance between the party leadership and Mr Scargill's brand of militant trade unionism.

But Mr Scargill, speaking after a meeting with British Coal, implied Mr Kinnock's remarks were in contravention of Labour Party policy. He said: "Everyone in the labour movement should support TUC and Labour Party policy of moving to a shorter working week."

Mr Scargill said that next week's NUM special conference would reflect his opposition to the introduction of flexible shifts, but Sir Robert Haslam, British Coal chairman, accused him of being totally out of touch with the commercial realities of the industry.

Mr Kinnock's move is likely to strengthen the hand of those in the NUM who claim Mr Scargill is becoming an increasingly isolated figure in their ranks.

The Labour leader's strong support for the South Wales miners came in a letter, released yesterday by the NUM in the area, to Mr George Rees, area secretary.

Warmly congratulating the miners on their decision, Mr Kinnock wrote: "The decision was not easy and it clearly took courage and foresight. It is evidence of workers who want to guide events instead of being pulled along behind."

The decision was "particularly positive" because it demonstrated the area miners' decision to secure employment for the future. The £80m mine may provide up to 1,700 jobs, directly and indirectly.

City sees no snags for BP disposal

By Lucy Kellaway and Peter Riddell

THE CITY of London expects the Government to have little trouble in disposing of its remaining 32 per cent stake in BP, provided that the oil price keeps close to its present levels.

Some brokers were already predicting yesterday that the issue could be a tremendous success, with a shortage of stock created by competition between the UK financial institutions, private investors and overseas investors.

The prospect of an additional £5bn of stock overhanging the market did relatively little damage to the BP share price yesterday. After an initial drop of more than 20p the shares rallied to close 12p down at 816p.

However, the sale was strongly attacked by Labour leaders yesterday. Mr Roy Hattersley, Labour's economic spokesman, said the announcement raised fundamental questions about the budget.

Mr Hattersley asked why, if the sale of BP was included in the budget calculations, was its inclusion withheld from the House of Commons on Tuesday in the budget statement. He said the Government was "selling the nation's assets to pay the Conservative Party's election bills."

Most analysts expect that the sale will take place in the first half of the financial year, with the Government keen to capitalise on the recent recovery in the oil price. Payment for the shares is expected to span three years, as a shorter period would mean that the Chancellor of the Exchequer's privatisation targets would be overshot this year and next.

Mr Paul Gregory of Wood Mackenzie said yesterday that the issue was likely to be targeted at private investors, as a part of the Government's aim to widen share ownership.

Foreign markets are thought to be potentially keen buyers.

Government spoiled for choice over privatisation proceeds

BY JANET BUSH

THE Government's decision to sell its remaining shareholding in British Petroleum in the course of the forthcoming financial year means it can easily meet its target for privatisation receipts and will enjoy a great deal of flexibility.

Sales of state assets slated for 1987–88 coupled with calls on flotations which have already been completed mean that the Government has a staggering £9.45bn at its disposal, compared with its target for privatisation proceeds of £5bn.

In his usual post-budet briefing with financial journalists on Wednesday morning, Mr Nigel Lawson, the Chancellor of the Exchequer, said he was ticking with his £5bn target for asset sale proceeds in each of the next three financial years.

Yesterday, the Treasury took the unusual step of issuing a statement to clarify key points about the Government's decision to sell its remaining stake in BP. The statement said that the sale was "simply part of the Government's continuing privatisation programme, the overall size of which was announced in the Autumn Statement".

The Treasury also made it clear that the sale of the nearly 32 per cent stake in BP would be partly paid with the first instalment coming in 1987–88. The stake is valued at almost £4.8bn, accounting on its own for most of the Government's £5bn target for receipts.

With so much money available for the taking this year, the Government has an enviable measure of choice in setting the timing of privatisations and their payments in order to hit the target.

ESTIMATED PRIVATISATION RECEIPTS IN 1987/88

	£bn
Rolls-Royce	1.2
British Airports Authority	0.8
British Petroleum	4.8
British Gas second tranche	1.6
British Gas Loans second tranche	0.25
British Airways second tranche	0.4
Royal Ordnance	0.2
Total	9.45

It seems likely that one or more of the other sales planned for this year will be partly paid, with further instalments falling in 1988-89. In other words, the Government can probably tie up the lion's share of its privatisation programme in the next financial year as well, even before contemplating other potential candidates for public offer, such as the water authorities, which the Government has delayed.

Mr Nicholas Knight, equities strategist at brokers James Capel, said: "The Government has got itself a tremendous degree of flexibility by announcing this sale. It has the choice of maybe 10 different computations in ordering its privatisation programme."

The arithmetic suggests that the £5bn target for asset sale proceeds could be hit exactly if the issues of shares in both Rolls-Royce, expected shortly, and the British Airports Authority (BAA), scheduled for the summer, are partly paid with 50 per cent payable in 1987-88 and the rest in 1988-89 and if the BP share sale is split into three tranches.

Latest City of London evaluations suggest that Rolls Royce is valued at around £1.2bn and BAA at about £800m. If partly paid as suggested, these flotations would raise around £1bn and the first tranche of three in BP would bring in around £1.6bn.

Added to this is a second payment of £1.8bn on British Gas shares, a payment of just over £400m on British Airways and perhaps about £200m from the sale of Royal Ordnance factories.

All this adds up to exactly £5bn. The Government also has at its disposal a further tranche of British Gas loans worth £250m. This can be taken either in March, 1988, or in April, 1989, another flecible aspect to the Government's privatisation plans.

If current City of London estimates are reliable, and they are of course subject to the vagaries of the equity market, the raw arithmetic suggests that the gas loans will be left until 1988-89.

By issuing partly paid shares in this way, the Government will have tied up most of its privatisation programme for 1988-89. It could be assured of a further £1bn from Rolls-Royce and BAA, another £1.6bn of BP and already expects the last instalment of British Gas of £1.6bn, totalling £4.2bn out of a total of £5bn.

Mr Ian Harwood, director of the UK equities division of Warburg Securities, said he expected the sale of BP shares to go extremely well and did not expect Wednesday's announcement to be a dampener on stock market sentiment.

The popular success of the Government's privatisation programme created an enormous appetite for buying shares.

BBC to use more outside producers

BY RAYMOND SNODDY

THE BBC plans to commission at least 500 hours a year of television programmes from independent producers by 1990, involving a transfer of £20m in licence fee money to the independent sector.

The plans to open up the BBC substantially to independents were given yesterday by Mr Michael Checkland, director general of the BBC, in his most detailed view so far of the future of the corporation. The BBC, he said, must not be seen as an elderly institution or a senile bureaucracy but "more a modern $1bn company, adapting to competition and change."

In future, the BBC, which at present uses only about 100 hours a year of programmes produced by independents, would open up all areas of programming – apart from news and current affairs – to independents – "even schools programmes if necessary."

The director general said that independent producers would be offered access, on a properly costed basis, to BBC studios and services such as financial, legal and marketing support for the foreign sale of programmes.

Further interest rate cut expected

By Janet Bush

A FALL in the Government's key measure of the money supply during February was widely seen by financial markets yesterday as paving the way for a further cut in interest rates.

Provisional figures released yesterday showed that the narrow definition of money supply, M0, consisting mostly of notes and coins in circulation, fell by between ¾ per cent and 1 per cent last month after seasonal adjustment. This keeps annual growth in the middle of the Government's target range.

Although M0 is widely criticised by *independent economists* as an indicator of inflationary pressures, it is still watched carefully because the *Government* has cited M0 growth as a key factor in its judgment on the appropriate level of interest rates.

Growth above the mid-point of the current growth range was used last October as one justification for the authorities' decision to raise interest rates by one percentage point.

February's fall has, on these grounds, been seen as a further factor encouraging lower interest rates.

Financial markets widely expect a further half point cut in base lending rates to 9½ per cent shortly on the strength of a favourable response to Tuesday's budget as long as sterling remains strong.

The announcement late on Wednesday that the Government is to sell its remaining stake in British Petroleum in 1987/88 was seen as generally positive for the pound as substantial overseas demand for the shares is expected.

The decision has no direct impact on the funding programme in the UK Government Bond market. However, because the sale of BP ensures that the Government easily hits its target for asset sales and therefore removes uncertainty about this side of the Government's accounts, the move is regarded as confidence-building.

Scottish closure denied

By Helen Hague and Lynton McLain

SIR Francis Tombs, chairman of Rolls-Royce, said yesterday he wanted to make it "categorically clear that RR has no plans to close its factory at East Kilbride, Scotland." Trades unions in the company suggested this would happen as a result of a management document they had obtained.

The company had no plans for diversification away from its current activities after privatisation, Sir Francis added.

The unions has seized on a document outlining radical plans to reshape Rolls-Royce to bolster their campaign against privatisation. It was, however, a discussion paper, *"prepared at a very junior management level a year ago,"* Sir Francis said.

The document, obtained by he Confederation of Shipbuilding and Engineering Unions (CSEU), argued that Rolls-Royce must "reduce its vulnerability to the cyclical nature of the company."

It should "procure other major interests so that aero engines become, say, only 20 per cent of the whole," suggesting diversification into "food, oils, medical care, banking, unit trust management, drink etc."

The document said that at least four locations should be shut, including East Kilbride, which employs about 2,400 people.

According to the unions, shop stewards had been told by management that the controversial document was superseded by a second draft – copies of which were shown to senior stewards at East Kilbride and Derby. The officials were not allowed to retain copies but noted only two key changes to the central thrust of the paper.

These were the substitution of locations proposed for closure by the phrase "plant rationalisation" and modification of the percentage of business in the agro engines from 20 per cent to 25 per cent.

Mr Alex Ferry, general secretary of the CSEU, said he had no doubt Rolls-Royce would deny planning to implement the proposals "up to the time when a decision is made as to the future ownership of the company."

Chloride takes on Lucas stake in electric cars

BY JOHN GRIFFITHS

CHLORIDE is taking over Lucas Industries' interests in their joint venture company developing electric vehicle drive systems.

The company, Lucas Chloride EV Systems, has been partly funded by the Department of Trade and Industry (DTI) and is widely regarded as having a world lead in electric vehicle technology.

It has more than 30 electric commercial vehicles on advanced trials in the US, under a programme involving General Motors, US utilities and federal energy departments. In Japan, it has another fleet on assessment which could lead to collaboration with the Japanese electricity and vehicle industries, while vehicles are also on trial in nearly 12 other countries.

Employees of the Runcorn, Cheshire-based, company will be given details of Chloride's takeover at a plant meeting today. General manager Mr Jim Bradbury is expected to tell them that, while a handful of administrative jobs might have to go, there will be only a technical redundancy programme.

Lucas employees within the joint venture will be re-employed automatically by Chloride Industrial Batteries, the division assuming responsibility for the venture.

Only 55 people, mostly engineeres and technicans, are employed within Lucas Chloride EV Systems, which operates mainly as a design and development engineering activity. But other companies within both Lucas and Chloride produce the batteries, motors and other hardware which make up the drive systems.

Lucas Industries' decision to withdraw from the venture is in line with a number of other actions it has taken to lessen its emphasis on automotive operations in favour of its aerospace industry activities.

It also comes when the venture has effectively completed the first phase of proving the technology. It was set up in 1981 with a five-year, £16m funding programme – half from the DTI and the other half equally from Chloride and Lucas.

The first phase formally expired last year without all the funding being taken up, and the DTI is continuing to make finance available.

Mr Bradbury said yesterday that the venture was also starting to generate revenue of its own from operations like those in the US and Japan, and faced no financial difficulties.

The main practical effects of the restructuring appear to be that while Lucas is expected to continue to supply components to the venture, the new wholly Chloride-owned venture should be able to shop around for components.

The project draws together the systems company with Chloride Silent Power jointly owned by Chloride Group and the UK Electricity Council which is developing Chloride's revolutionary new sodium-sulphur battery. It is expected to provide a large panel van with a range of well over 100 miles at a single charge, even at speeds of up 50mph.

Mr Bradbury refused to predict precisely when sodium-sulphur battery-powered vehicles might appear in commercial production. But he said a significant expansion of electric van activities in the US would take place from early next year, with "several hundred" more GM Griffon lead acid electric commercials being produced as evaluation vehicles prior to full commercial production.

GM's decision to proceed with the project in North America, seen as by far the largest potential market for electric vehicles, saved the Lucas Chloride venture from a potential crises last year. This followed GM's heavily loss-making UK subsidiary, Bedford, scrapping its CF electric van, around which much of Lucas Chloride's system development had been based.

European industry told it must close the technology gap

BY JIMMY BURNS, LABOUR STAFF

EUROPEAN industry should cut through the bureaucracy and streamline the organisation of training so as to narrow the technology gap separating it from Japan and the US, Mr Heinrich von Moltke, a leading European Commission official, told a conference on industrial policy organised by the European Trade Union Conference (ETUC) in London yesterday.

"The supply of trained people can be directed where demand is highest, and the role of firms in the training process must be turned to account without, however, attaching any constraints to the recruitment of trained staff", Mr von Moltke said.

Companies will play an increasing role in this "because of the high degree of specialization on the spot, on the one hand, and the increasing speed of need of new skills on the other".

Mr von Moltke said the same consideration should be applied to retaining manpower from outdated industries for jobs in developing industries.

He urged public authorities in European countries to step in "to launch, follow up and support initiatives" through specific incentives such as job premiums, tax concessions for companies involved in training, and mobility premiums.

Mr von Moltke's remarks came at the beginning of the two-day conference hosted by Britain's Trades Union Congress (TUC). The conference of non-communist European unions was called to exchange information and experience on current industrial policies within Europe. It was also expected to debate the extent to which a "European dimension" to industrial policy should be pursued, and what it should contain.

Opening the conference, Mr Norman Willis, General Secretary of the TUC, said that while Britain was the worst case – Europe as a whole "fell badly short in developing a co-operative strategy for industrial survival and growth".

"We must get our act together when it comes to manufacturing in which our comparative advantages lie in Western Europe", Mr Willis said.

Claiming that Europe's strength lay in its "skilled workforce," Mr Willis said: "We need to develop these strengths and make sure that our countries and companies combine them and convert them into success in the advanced, technologically-based industries of the future."

Guest speakers included Mr Edward Heath, the former British Prime Minister.

Labour plans a compulsory training levy to raise skills

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR Party yesterday unveiled plans for a compulsory training levy on all companies to help finance a 10-year programme aimed at building the best-trained and educated workforce in Europe.

Launching a new policy document, dubbed "New Skills for Britain," Mr Neil Kinnock, the Labour Party leader, revealed details of a crash programme to provide 360,000 training places in two years.

He attacked the Government for presiding over a critical skills crisis by leaving training to the whim of individual employers and said that, under Labour, they would be expected to make a fair, financial contribution towards improving the nation's skills.

The document states: "The bottom line will be that all employers will be required to provide training."

Mr John Prescott, Labour's employment spokesman, said that British industry had come to see training "as a cost to be cut, rather than an investment essential for industrial success."

He continued: "This is dangerously short-sighted. We have to raise the quantity and quality of training. Our plans will replace the present skivvy (menial) schemes which mean low pay, low skills and low opportunities."

The new proposals, which form part of Labour's jobs, training and industrial regeneration strategy, are based on an Adult Skillplan, establishing a national framework for industrial training and designed to double manufacturing industry training levels within two years.

The Labour plan envisages that the cost of the programme will be shared between the Government and industry. The party says the precise form of funding will be subject to consultation with employers, trade unions and other interested parties, but Mr Prescott said that it would not, as had been speculated, entail a levy on turnover.

The Adult Skillplan would be supported by a Foundation Programme, which will eventually replace the present Youth Training Scheme and would offer all 16-year-olds a two-year guarantee of a place in education, training or work experience. The intention was to end the choice many children face at 16 between following an academic course or pursuing a youth training scheme.

Britain joins space shuttle project

BY PETER MARSH

AFTER three months of agonising, Britain has finally decided to join a European programme to design a mini shuttle capable of taking people into space. The UK said yesterday it would contribute about 6 per cent of the £35m budget for the preparatory phase.

The project, under the auspices of the 13-nation European Space Agency, is to provide the outline design of Hermes, a small-winged vehicle which would enter orbit on top of an Ariane rocket. The ESA nations are due to decide this summer whether to go ahead with a programme that could cost up to £3bn, according to estimates.

Announcing the decision, Mr Roy Gibson, director general of the British National Space Centre, said that the UK's involvement would ensure it gains a "technical visibility" in the Hermes programme.

As a result of the UK joining, some Hermes design contracts are likely to go to British companies. GEC, British Aerospace and Smiths Industries are among those expected to benefit.

Budget measures on pensions attacked

BY ERIC SHORT

FT CONFERENCE

Pensions

THE PENSION proposals put forward by the Chancellor of the Exchequer in this week's budget were bitterly attacked by Mr Michael Meacher, Labour's spokesman for health and social security.

Speaking on the first day of the Conference on Pensions – the Time for Action – organised by the Financial Times in London, Mr Meacher said they would do a lot for the Government's obsession with privatisation, but nothing for pensioners.

In particular, he was highly critical of the proposal to advance the start date of personal pensions and paying the incentive, which he referred to as a bribe, for a further year, a move he condemned as reckless.

The budget proposal to push "off the peg," no-frills occupational schemes may increase simplification, but he claimed it would lower the quality and value of such pensions.

Finally Mr Meacher considered it "breath-takingly myopic" to intensify concentration on personal pensions and support the mauling of the State Earnings-Related Pension Scheme (Serps) when the Government's own figures showed Serps to be substantially better than personal pensions for earnings of all ages and all levels of earnings.

Mr Norman Fowler, the Social Services Secretary, speaking later in the day, concentrated on spelling out the Government's record in the private pension sector and reassuring delegates that the opportunities were there for employers and pension providers to provide better pensions for every employee.

He confirmed the working partnership between Government and occupational pension schemes in the new world of pensions brought about by the Government's measures.

The other speakers, however, refrained from indulging in political or philosophical speculation and concentrated on the problems facing companies and pension managers in implementing the Government's new pensions framework.

Mr Ken Cole, group pensions director of Reckitt & Colmann, started this aspect of the discussion by briefly outlining the main changes brought about by the 1986 Social Security Act.

First, he discussed the effect on companies, particularly the financial impact, of the cut in Serps. Employers would need to consider the financial impact of younger employees leaving the scheme – a move that would raise the unit costs for the remaining older employees.

Second, and more importantly, the new freedom of choice to employees meant that employers would need to look afresh at the benefit structure, improve it where necessary to make it more attractive and then sell the scheme not only to new employees, but to the existing workforce.

Mr Cole reminded delegates that employers without a scheme should consider setting up a money purchase arrangement for their employees – an arrangement that, in his opinion, was superior to letting employees make their own personal pension arrangements.

Mr Maurice Oldfield, group pension executive Allied-Lyons, discussed the relative merits of company pensions schemes with benefits based on final salary and money purchase company schemes.

He analysed the way employers should treat these two options in assessing the structure of their pension arrangements, reminding delegates that money purchase was not the complete answer to a company's pensions problems. He referred them of past experience of such schemes.

He envisaged a general approach of providing a money purchase scheme for younger employees, who are likely to be more mobile, switching to final salary schemes for older employees.

The subject of communicating the pension scheme to employees was introduced by Mr Dryden Gilling-Smith, managing director of Employee Benefit Services.

He discussed the new legislative requirements on disclosure to employees, including the information that should be given in an employee's benefit statement.

He then went on to discuss the means of communication, outlining the opportunities and the pitfalls offered by the new technology.

The communication aspects were enlarged upon by Mr Tony Weller, secretary pension funds Cable and Wireless. He described the approach taken by his company in communicating the pension arrangements set up when his company was privatised.

His problem was that the workforce was scattered throughout the world. The company adopted the use of inter-active videos using both professional actors and company employees to get across the message.

Mr Eric Rogers, deputy chairman of the Occupational Pensions Board, described the role of the board, which was being greatly expanded under the new regime. In particular he listed the main points that would be required from the new-style personal pensions in order to get the board's approval.

Finally, Mr Charles Massare, vice-president Chase Investors Management Corporation, spoke on a completely different aspect of pensions: the investment strategies to be adopted. He put forward the case for passive investment – matching rather than trying to beat the average – a subject that is becoming more topical in the UK pensions field.

Takeovers under fire

BY HAZEL DUFFY

MR DAVID NICKSON, president of the Confederation of British Industry (CBI), yesterday attacked takeovers which were not to the long-term benefit of British industry.

In a wide-ranging speech on relations between the City of London and industry, given at the Heriot-Watt University in Edinburgh, Mr Nickson said: "The emergence of pro-active capital, benign enough at the venture capital end, has put boardroom nerves on edge because the scale of resources now available to support acquisitions means that few British companies are beyond a determined bidder's reach".

He said that bidders may be increasingly from overseas.

Safeguards on fraud by computer 'inadequate'

BY ALAN CANE

MEASURES taken by UK companies to protect themselves against computer fraud or systems failure were either inadequate or non-existent, a leading firm of accountants claimed yesterday.

Ernst & Whinney, which has taken a special interest in fraud both in Britain and in the US, said: "We believe that the impact of computer fraud is still seriously underestimated by UK executives. We do not believe that the contingency and disaster recovery plans made by UK firms in general are adequately – if they exist at all."

Ernst & Whinney's comments followed publication of a survey of 202 companies which suggests that losses from fraud of all kinds in the UK are at least , £5bn a year. It indicated that 80 per cent of the firms questioned said they had taken adequate precautions.

Mr Steven Kneebone, a manager in the firm's computer audit and security group, said yesterday all the evidence suggested that was untrue. Over the past six months cases he had investigated included:

● A major manufacturer in the Midlands which lost £500,000 through a simple electronic funds transfer fraud.

Forged messages to the manufacturer's bank persuaded it to switch the cash electronically overseas. It has never been recovered.

● A London-based company which is hesitating to fire an employee suspected of fraud. It believes, but cannot prove, he sabotaged the computer installation at a former employment by setting a "logic bomb", a hard-to-trace piece of software which caused the system to fail. It fears he may have sabotaged its own system in the same way as a defence against dismissal.

● A West Midlands manufacturer which regularly sends a computer tape to the Bankers Automated Clearing House with payment instructions worth over £100m.

Ernst & Whinney pointed out that the tape could easily be tampered with, but the firm refused to implement simple defensive measures on the ground that it would cost it a delay of a day in making payments.

None of these firms was prepared to be identified, nor have they reported their problem to the authorities, an indication of the extreme embarrassment companies still feel over admitting their systems are insecure.

The survey, an update to a similar study Ernst & Whinney carried out in 1985, showed half the respondents believed computer fraud in Britain had increased over the past five years.

Of the respondents, 80 per cent said their companies had contingency or disaster recovery plans in case of computer systems failure. Ernst & Whinney notes: "This is widely at odds with the perception of the situation by computer security specialists and auditors."

Computer Fraud Report, Ernst & Whinney, 01-928 2000.

● Geisco, the information services arm of General Electric of the US and Racal-Guardata yesterday announced a co-operative marketing agreement for a security product which will add an "electronic signature" to messages sent over Geisco's worldwide computer network identifying both the sender and the computer from which it was sent.

Morgan Grenfell man to handle Eurotunnel offer

BY ANDREW TAYLOR

EUROTUNNEL, the Anglo-French Channel tunnel consortium, yesterday announced that a senior assistant director in Morgan Grenfell's corporate finance division has been seconded to take charge of the consortium's vital £750m international share sale planned for this summer.

The move was one of two changes unveiled to strengthen the consortium's management following last month's boardroom shake up at Eurotunnel which resulted in the appointment of Mr Alastair Morton as the British co-chairman.

Mr MacNamara from Morgan Grenfell will fill the vacuum left after the departure last month of Eurotunnel's British finance director, Mr Michael Julien, who had been appointed finance director of the troubled Guinness drinks group.

Mr Julien had been a central figure in Eurotunnel's fund-raising efforts, both in terms of the preparation for this summer's share issue and in negotiations with around 40 international banks who have agreed in principle to provide £5bn in loans and standby credits.

The bank agreements however are tied to the success of Eurotunnel's efforts to raise sufficient equity hence the importance attached to this summer's share sale and Mr MacNamara's appointment.

The second change brings in Mr Martin Hall, formerly head of the Treasury's banking division and former press secretary to Mr Nigel Lawson, the Chancellor of the Exchequer, and to his predecessor, Sir Geoffrey Howe. Mr Hall has been appointed director of corporate affairs and will take charge of public relations, a job previously undertaken by Mr Richard Dixon, who will remain a consultant to the consortium.

Public relations is equally important to the consortium given the battering it took during last month's boardroom shake-out and the need to present an acceptable public image, both for the share issue and for the Channel Tunnel Bill, which is currently before the House of Lords.

Since the beginning of this year, Mr Julien and Sir Nigel Broackes, chairman of Trafalgar House, the construction, property, hotels and shipping group, have resigned as directors of Eurotunnel. Lord Pennock has stood down as British joint chairman to be replaced by Mr Alastair Morton, chairman and former chief executive of Guinness Peat, the London-based merchant bank.

Comsat offers early date for launch of DBS satellite

BY RAYMOND SNODDY

COMSAT, the US satellite organisation, is offering British Satellite Broadcasting, holders of Britain's direct broadcasting satellite franchise, an August 1989 launch date for the satellite.

This would allow Britain's DBS television service to begin in the late autumn of 1989 – a year earlier than expected.

Comsat, US representative of Intelsat, the international satellite telecommunications monopoly, says it has a firm August 1989 reservation on the first McDonnell Douglas Delta rocket to carry a commercial rather than a military payload.

Mr Ernesto Martin, a Comsat vice-president, said he believed that Comsat was the only one of the three shortlisted satellite suppliers who could offer a television service beginning in 1989. The others shortlisted are British Aerospace and Hughes of the US.

It is believed that a senior Comsat executive will be in London next week for negotiations with BSB, a consortium made up of Granada, Pearson, Virgin, Amstrad Consumer Electronics and Anglia Television.

Comsat is offering BSB two high-power DBS satellites for $75m (£46.9m). They were intended for a DBS service in the US but Comsat withdrew.

The satellites have to be modified for European use – a process which would take 18 months, about half the time needed to build new satellites from scratch.

Later this month in London, Comsat and Matsushita, the leading Japanese consumer electronics company will announce a new flat aerial for receiving satellite broadcasting.

It will be the first time the new aerial has been shown publicly. The basic research was done at Comsat laboratories and the prototype has been produced by Matsushita.

Comsat believes that the aerial, which could be fixed to a house wall more easily than the existing dish aerials, should be available in shops in time for the launch of British DBS.

The surface area would be the same as the 30cm dish aerials needed to receive pictures from a Comsat satellite.

"It's very unobtrusive. It looks nice," said Mr Martin, who believes the flat aerial should cost no more than conventional ones.

A Comsat/Matsushita press conference to launch the prototype is planned for March 26 at the Cable and Satellite exhibition at Wembley in London.

FINANCIAL TIMES SURVEY

The Danes are now facing up to the cost of enjoying a standard of living that is among the best in Europe, but it has been achieved at the expense of worrying foreign debt. The Danes will soon have to go to the polls to decide which government is best equipped to pay the bills without inflicting too much pain. **Hilary Barnes** reports.

High cost of the good life

THE DANES have been preening themselves recently. The updated version of the cross-national survey by Professor Richard Estes, of Pennsylvania University, entitled The Social Progress of Nations, once again ranked Denmark as the best country in the world in which to live.

The country's living standards, chromium-plated welfare system, high standards of health and education, equality of income and wealth, and the homogeneity of the population, lend credence to the professor's conclusion, but his study seems to ignore the fact that today's living standards are built on a net foreign debt equal to about 40 per cent of the gross domestic product.

In contrast to Professor Estes' as-of-now picture of a remarkably successful and civilised society, one of the government's most experienced advisers depicted in private conversation a country which has lived on political, economic and cultural credit for too long and is now watching the bills come in. The country, in his view, has a governability problem.

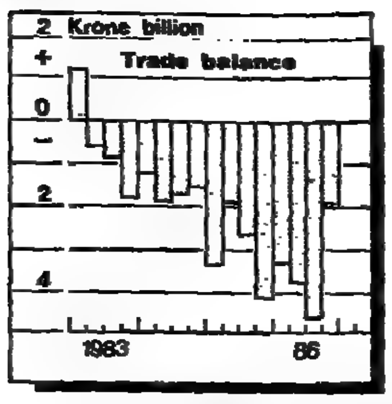
The foreign debt is the most visible symptom of a malfunctioning system. Successive governments, despite determined *efforts*, have been unable to adjust the country's living standards to its means, and the longer it takes to make the adjustment, the more difficult it *will become* and *the greater* the social and political tensions it will cause.

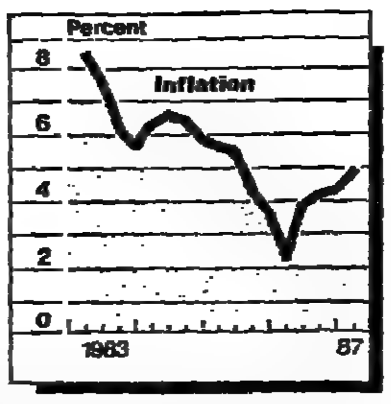
The present coalition Government, which set out in 1982 to implement "an economic reconstruction," faces the prospect that its initial achievements will now unravel as a consequence of this spring's collective wage agreements.

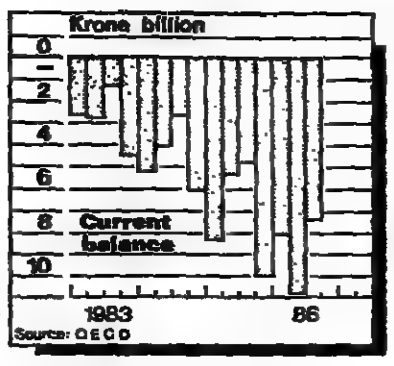
A disquieting feature of the Danish scene is the way in which *the Folketing (Parliament)*, comprising nine parties, functions.

The present Government, a four-party minority coalition headed by the Conservative Party leader, Prime Minister Poul Schlüter and including the *Liberal Party, the Centre Democrats* and the Christian People's Party, has had a rough ride in the Folketing.

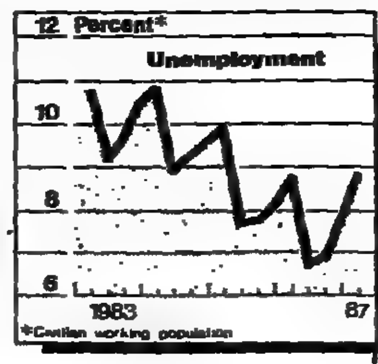
It can only count on majorities for economic policy, but on many other issues, most importantly on foreign and defence and *environmental issues*, it is at the mercy of a Centre-Left opposition majority.



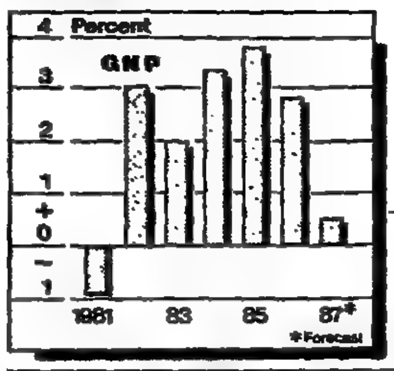




Source: OECD



*Civilian working population



*Forecast

Denmark

The situation, in which the Government has responsibility *without power* and the opposition power without responsibility, flummoxes the outsider, as *well as quite a few Danes. It has* arisen because the balance between the left and right blocs is held by the Radical Liberal Party, which supports the Government on economic policy but votes with the left-wing parties on many other issues.

Mr Schlüter has reasoned that the coalition's resignation will not solve the problem. On the one occasion when a vital issue was at stake, Denmark's approval *of the European single act*, the *EEC reform package* which was agreed in December of 1985, *Mr Schlüter did* not put it to the final parliamentary test, but called a referendum instead—and won.

With an election due this year (or at the latest by January 10, 1988), the opposition this spring has utilised popular concern about the environment to force the Government, against its better judgment, to implement a *crash programme of measures* to reduce pollution of coastal waters.

The measures will be extremely expensive, their measurable *effects* on the environment probably slight and perhaps negligible. But for agriculture, *which is being told* among other things to cut the use of artificial fertilisers by a third within three years, the consequences may be dramatic.

Another of the bills to thump through the collective door covers years of "free riding" in *Nato, which has left Denmark* with such weak defences that its allies wonder out loud whether rescuing Denmark in case of attack is any longer feasible.

The economic bill is not just metaphorical. Each Dane owes about $7,300-worth of foreign debt. The interest on the foreign debt alone is equal to 4 per cent of the gdp.

The *persistent external* deficits are intimately connected with an unsatisfactory *wage formation* process, which drives costs up faster than compatible with *external balance* and rapidly invalidates attempts to deal with the prob*lem by exchange* rate adjustments.

There is a special problem in the public sector. The Government employs so many people, *some 800,000, about* 30 per cent of the labour force, that no government has much hope of winning an election unless it can keep its employees sweet.

This may help to explain the generosity of the new wage agreements, which once again displayed the malign workings of the wage formation system.

The Danes have awarded themselves a 37-hour week, to take effect in stages by 1990, the lowest negotiated working week in Europe, while wage rates, *including* compensation for shorter hours, will rise over the next two years by 6-7 per cent a year.

The settlements are not compatible with an improvement in competitiveness, spelled out by the Government again and again as *a sine qua non of* reducing the external deficit.

The settlements combined with exchange rate changes, says Professor Christen Sørensen, *chairman of the influential* economic advisory council, may worsen competitiveness by 8 per cent to 9 per cent this year. He foresees rising unemploy*ment as well as continuing cur*rent account deficits.

Mr Sven Auken, deputy chair*man of the opposition Social* Democrats, is convinced that whoever is in government next autumn will be forced to implement a new round of fiscal *unpleasantness* and does not disguise that if his party is in office the population has ony hair-shirt treatment to look forward to.

On balance, however, it appears more likely that Mr Schlüter, widely regarded as one of the most competent post-war prime ministers, will stay on, though whether *he can keep* the four-party coalition together remains to be seen.

The kingmakers in Danish politics are the radicals. Their leader, Mr Niels Helweg *Petersen*, has said frequently, that the radicals will back Mr Schlüter against the Social Democrats after the election.

The only thing which could *upset this scenario is the return* of a left-wing majority of the Social Democrats, in government most of the time from 1930 to 1982 and led by former prime minister Anker Joergensen, and the Socialist People's Party, an anti-EEC and anti-Nato party, whose main recent contribution to the economic policy debate is a promise to bring in a 35-hour week by law if they gain the power to do so.

The *opinion polls, however,* do not suggest that these two parties are likely to be returned with a joint majority.

CONTENTS

Mr Poul Schlüter, Prime Minister displays the incurable *optimism of the Danes*

Not the gloomy Dane

SHAKESPEARE DID the Danes a serious disservice when he led the world to believe that, like his own Hamlet, they are a *melancholy people. It would* be nearer to the truth to describe them as incurable optimists, and Prime Minister Poul Schlüter is the incarnation of *this spirit.*

"Absolutely not" was his reply when asked whether this spring's collective wage agreements herald the breakdown of the *Government's economic* policy, as many Danish economists have been saying.

"The crucial thing is unit costs of output. If we get *rationalisation and productivity* improvements we shall manage.

"A big renewal of the production apparatus has taken place as a result of the investments over the past four years. I think we have a substantial increase in productivity in the pipeline."

Exports have been adversely affected by the appreciation of the krone, "but this may regulate itself. I see the pound is a bit stronger . . ." he said with a broad smile.

"I think we shall see some really nice trade figures this year, with a marked decline in imports," he said, and added *that after four years under his* government the economy is basically more vigorous.

He cited the fact that state budget expenditure has been unchanged *for five years in real* terms, the budget deficit has been eliminated, production, employment and investment

Continued on page 2

The economy

External deficit in need of curbing

THE ACHILLES heel of the Danish economy is the external deficit. There is a net foreign debt of Kr 262bn, about Kr 7,300 per head and 39.5 per cent of the gdp, which has accumulated through 24 successive years with current account deficits, culminating in 1986 with a record Kr 34.5bn deficit, some 5¼ per cent of the gdp.

The soaring deficit in 1986 was caused partly by factors which were beyond the Government's control. The trade-weighted appreciation of the krone by about 7 per cent from mid-1985 to the end of last year hit exports, while a fall in the household saving quotient, from a normal 21-22 per cent of disposable income to 17-18 per cent, gave an unexpected boost to private consumption.

Fiscal policy was switched to "stop" last year, however, and little or no increase in domestic demand is expected in 1987. This should bring about some *improvement in the current* account deficit, which is now *taking top priority. If there is* any sign later this year that the *current account is deteriorating* again, the Government must be prepared to take new measures to reverse the trend, Mr Erik Hoffmeyer, governor of the National (central) Bank warned this month. He told a meeting of savings banks that the country's credit-worthiness will be endangered if the deficit is not reduced.

The outlook for achieving a *lasting improvement in the cur*rent account is clouded by several *factors, among them the* strength of the krone.

Other discouraging factors are the outcome of this spring's collective wage bargaining, which will cause Danish wage costs to rise considerably faster than in Denmark's trading partners, and the threat to agricultural exports from the reform of the EEC's common agricultural price policy and Danish environmental restrictions.

Except for the current external account, the present government has achieved considerable success with its economic policies.

It abolished, in 1982, the sys*tem of automatic price-wage* linkage, an important factor in *bringing down the rate of wage* increases from around 10 per cent in 1982 to 4½-5 per cent last year.

It stabilised government sector expenditure, which has shown almost no real increase since 1982. This released resources to the "exposed"—export and import-competing—sector, a process which both the Government and the Organisation for Economic Co-operation and Development regard as an essential condition for a long-term improvement in the external balance.

These two policies, together with the declared determination to maintain the present exchange rate led to a sharp reduction in interest rates.

The restoration of confidence, together with more *favourable* international economic conditions *after recovery from the* second oil shock in 1979, set off *a boom in private investment* and consumption. The gdp *growth rate 1984-86 averaged* just over 3 per cent.

The recovery in domestic demand, combined with a tax on pension savings and curbs on government spending, contributed to one of the Government's most remarkable achievements—the elimination *in 1986 of a budget deficit which* in 1982 was about 11 per cent of *the gdp. This caused consider*able pain, as taxes as a share of the gdp rose from 44 to 51 per cent from 1982 to 1986.

The boom was enjoyable while it lasted, but the impact on the current external account forced the Government to react. This year the GDP *growth* rate will be reduced to about 1 per cent, according to the Government's own forecasts, a "growth pause," as Finance Minister Palle Simonsen has called it.

The hotly debated issue of the moment is the extent to which *the collective wage agreements* this spring have damaged the *Government's policies for eco*nomic reconstruction.

Long-term benefits will also accrue from a set of measures designed to increase savings, which, at 15 per cent of the GDP in 1985, are lower than in any other OECD country except Greece.

An income tax reform, taking effect this year, has reduced the tax-value of deductions to 50 per cent. Previously they were equal in value to the marginal rate of income tax, which rose to *73 per cent (in exceptional cases* even more). A second measure *has imposed a tax of* 20 per cent on net interest outgoings (*interest on capital, less interest* paid on debt) as this will feature on income tax returns (mortgage interest is excluded from the calculation), while the *mortgage* finance rules were changed last October to force *would-be* home-owners to have more before buying a *first* house.

The wage settlements awarded a *staged two-hour cut* in the working week to 37 hours by 1990 (*it was cut from 40 to 39* hours last December, so that *over 45 months potential output* capacity will be reduced by 7½ per cent). *Public sector* wages and salaries over the coming *two years will rise on average* by about 7 per cent a year, includ*ing compensation for shorter* hours.

Private sector wage rates will rise by 4 to 5 per cent, say the employers, and by 5 to 6 per cent if the trades unions are to be believed. On top of this comes the cost of the December cut in the working week, a 1½ per cent increase in payroll taxes (employer social security contributions) and the "carry-over" of 1986 wage increases.

The wage settlements, plus uncertainty caused by the fact that there will be an election this year, have caused the financial markets to send out some discouraging signals.

Average yields in the bond market this month have approached 13 per cent, which gives real rates of interest of about 8 per cent measured against consumer prices and 13 per cent against producer prices.

The Government is adamant that the exchange rate must not be changed, and the main opposition party, the Social Democrats, agree.

But the Government will face an increasing dilemma as the rise in wage costs and the strength of the Krone squeeze profits and begin to affect investment and unemployment.

Export performance in the past few months may be a sign of what is to come. In the five months to January, export revenue (seasonally adjusted) fell by 7 per cent from the same period a year earlier.

Foreign policy

Troubled times for defence

Defence minister Hans Engell wants an increase of Kr 800m in the defence budget

THE CONDUCT of foreign and defence policy under the present Government has been bedevilled by the confused conditions prevailing in the present Folketing Parliament. The coalition has had to accept a series of defeats on foreign policy issues by a left-centre majority, which Prime Minister Poul Schlüter has accepted rather than risk losing the coalition's grip on domestic policies.

The most dramatic situation arose in February of last year, when the Social Democrats allied themselves with the radical Liberals, the Socialist People's Party and the Left Socialists to prevent the Government from agreeing to the EEC reform package—the European single act.

Prime Minister Schlüter, however, trumped their parliamentary manoeuvres by calling a consultative referendum, in which the reforms were accepted by a substantial majority, "one of the most important events in contemporary Danish history," according to the Prime Minister, who *thinks that a negative vote* would have put a question mark against *Denmark's future* membership of the EEC.

The basic elements in Danish foreign policy since 1949, when *Denmark joined Nato*, have been supported in consensus by *the Social Democrats and the* present coalition parties, ensuring broad support.

Since the Social Democrats *went into opposition in 1982*, the consensus has been damaged, though not quite destroyed.

The trouble arose when the Social Democrats began to set some serious question marks against Nato's nuclear strategy, especially the deployment of intermediate range nuclear forces in Europe—the Pershing/Cruise missiles issue—which they had unwillingly supported when in office. Using the centre-left majority, they forced the Government to oppose deployment and to withhold Denmark's contributions to the Nato infrastructure budget for the amount due to cover the missile programme.

None of the missiles was to be deployed in Denmark.

The left-centre parties have also forced the Government to oppose President Reagan's SDI programme, including SDI research as such.

Another persistent bone of contention is the Social Democratic support for a treaty-*guaranteed* Nordic nuclear-free zone, a plan which is in poten*tial conflict with Nato's* nuclear strategy, and a Nato "no first-use" commitment.

In adopting Nato-critical policies, the Social Democrats, *who* took Denmark into Nato in 1949 and continue *to support Nato* membership, have aligned themselves *with two parties, the* Socialist People's Party and the left Socialists, which are *against* Nato membership, and the radicals, who are pacifists.

The next test of the consensus will arise over the medium-term defence budget for 1988-92, on which there has to be agreement this year.

The Danish defence effort is so weak, especially because so little is spent on materials and equipment and so much on wages and salaries, that Denmark's Nato allies, led by the British Government, have openly warned the Danes that their commitments to reinforce Denmark in case of aggression are under consideration—but the commitments remain in place so far.

Defence Minister Hans Engell (Conservative) wants an increase of Kr 800m a year, in constant prices, in the defence budget, which in 1987 is Kr 13.9bn, about 2.1 per cent of gdp. The Social Democratic leader, former prime minister Anker Jorgensen, says his party cannot agree to any increase, other than compensation for inflation.

The Nato allies will be watching the outcome of the budget negotiations with deep concern.

Foreign trade

Manufacturing exports decline

TRADE UNION LEADERS, sometimes seconded by socialist political allies, often say that if only Danish export industries were up to the mark, the country would not be struggling with an external deficit problem. But in sober fact, Danish manufacturing industry appears to have performed relatively well over the past decade.

Measured in volume terms, exports of manufactures increased shares of total markets by about 30 per cent between 1975 and 1984, according to a finance ministry analysis, but the market share slipped slightly in 1985-86. Measured in current price value terms, exports have performed considerably better than the average European OECD countries, and the improvement continued in 1985-86.

Only once in the past three decades, in 1983, has there been a surplus on merchandise trade, but the services balance is always in surplus, owing to substantial net shipping income and, since 1973, a net positive income from the EEC, for which transfers under the Common Agricultural Policy exceed contributions to administration and other items.

By far the largest deficit item today is net interest and dividend payments, which came to Kr 27.8bn, about 4 per cent of GDP.

The net foreign debt totalled Kr 262bn at the end of 1986, or 39.5 per cent of 1986 GDP. Of this, Kr 170bn is government debt, built up partly to finance the current account deficit in the oil shock years, and subsequently on the basis of the argument that as the Government can get better terms than the corporate sector, it is cheaper to finance the deficit this way.

The most recent export figures are discouraging. Exports in 1986 fell by 4.4 per cent to Kr 171.6bn, but in the final four months they were 6.9 per cent lower than in the same period in 1985. In January exports were 15 per cent lower than in the same month last year.

Exports of manufactures increased by 0.7 per cent to Kr 115.9bn in 1986, but in the final four months of the year they were 3.9 per cent lower than a year earlier. Fourth quarter new export order values for manufacturing were 10 per cent lower than in 1985, which also points the wrong way.

Manufactures account for about 67 per cent of Denmark's exports.

The main export manufactures are machinery and instruments, Kr 40.5bn.

The share of manufacturing exports in the total increased *rapidly between about 1950 and* 1972, but has stabilised since then, which is a *reflection of the* support which agriculture has received from the CAP. *Over the* next few years, as the EEC endeavours to eliminate surplus farm production and reduces agricultural support programmes, this relatively heavy dependence on agricultural exports may prove to be a *serious* disadvantage *for* Denmark.

The geographic distribution of Danish exports is naturally enough, dominated by its neighbours (and the distribution of imports does not differ radically from it).

The EEC accounts for about 44 and Efta for 24 per cent, with the three Nordic Efta members accounting for 21 per cent. West Germany, Britain and Sweden, in that order, are the three biggest markets, followed by the US and Norway.

Japan accounts for just over 3 per cent of total exports, a share which has doubled over the past decade, although the Japanese share of imports is 4 per cent, leaving a substantial trade deficit.

Expensive lifestyle

Continued from page 2

have increased sharply, and *inflation is lower.*

The prime minister hopes and expects that the coalition will continue until the autumn *before holding the next election.*

"I believe all four parties in the coalition will go into the election together to ask for a renewed mandate," he said.

Mr Schlüter's bitterest critics agree that he has shown remarkable skill in holding the coalition together for 4½ years. How has he done it?

"We began well in the autumn of 1982 and laid a sound foundation and found the right style. Our association has gone astonishingly well, even if there have been rows now and then."

*He has steered his own Con*servative Party firmly into the *centre position in Danish politics*—"just right of centre"—and is *encouraged by opinion* surveys indicating that 34 per *cent of those under the age of 30* support the party, which encourages him *to think ahead*:

"Who says the Social Democrats have to be the biggest party in 10 years time" (in the 1984 election the Social Democrats obtained 31.6 per cent of the votes and the Conservative, the next biggest party, 23.4 per cent.

"If we—the coalition—win to form a third administration since 1982 it will be historic," he said, referring to the Social Democratic dominance in Danish politics from 1930 to 1982.

Banking

Setback on bond yields

DANISH FINANCIAL markets underwent a gradual process of deregulation over a period of two decades. The process was completed in 1983-85 with the lifting of the remaining restrictions on inward and outward indirect investment.

At the same time, in the domestic market quantitative regulation has been dropped and replaced by market-based controls. More particularly, in 1985 restrictions on bank lending were replaced by a system of placement requirements with the National (central) Bank as a means of controlling deposit growth.

The changes have had important effects on both the monetary policy options open to the authorities and on the financial institutions, which are exposed to a more competitive climate—and the competition will harden as the EEC removes the barriers to competition in financial services.

Under the regime of semi-fixed exchange rate, through membership of the European Monetary System, and liberal foreign exchange regulations, the money supply is regarded as largely demand-determined, any restrictions on the domestic supply being counter-balanced by foreign exchange inflows. As confidence in the economy was restored by the coalition Government in 1983, the money supply increased by 25 per cent that year, and rose by 17 per cent and 16 per cent respectively in the next two years, but slowed to 8.5 per cent between December 1985 and the end of last year, mainly because of speculative currency outflows.

The integration of Denmark into the international financial markets should in theory bring about a convergence between Danish and internatonal interest rates, but the existence of an inflation gap between West Germany and Denmark, exacerbated more recently by the market's concern that the current exchange rate may be unsustainable, has led to a persistent interest rate gap between Danish and German bond yields, varying from five to almost 7 per cent. Currently it is nearer the 7 per cent.

A factor putting downward pressure on bond prices this spring is the heavy unrealised losses suffered by the banks on their bond portfolios in 1986, losses which go fully into the profit and loss account in the year in which they occur. The losses have continued since the end of the year.

Banks have unloaded bonds onto the market in a loss-limitation process, as, if the losses rise, the minimum 8 per cent equity to deposits and guarantees ratio can come under pressure in some banks.

The bond market, with outstanding bonds worth, nominally, over Kr 1,000bn and turnover of Kr 4,000bn, is extremely large, about two-thirds the size of the Eurobond market. It is also highly liquid.

Almost two thirds of outstanding bonds are mortgage bonds, which are fixed interest annuity loans. As this type of loan is not widely known in other bond markets, foreign investor interest has been modest. Most of the Kr 47bn bonds held abroad are in government bonds, which are the more familiar serial loans.

In the banking sector, the more competitive climate has not led to any great structural changes, but there is a higher degree of differentiation in the performance of the banks, which could have structural consequences in future.

In the eternal battle between Copenhagen Handelsbank and Danske Bank to become the biggest bank, Danske Bank has edged ahead on all counts, size of equity capital, deposits and loans, balance sheet total, but not by so much that the positions cannot be reversed again within a year or two.

There are eight foreign banks with subsidiaries in Copenhagen, one less than a year ago. Bank America closed its Copenhagen bank, saying that the loan business it came here to carry out in the mid-1970s had been undermined by the securitisation craze.

Last year was both a good and a bad one for the banks, which generally did well on their ordinary banking business, but made big losses on the bond and share portfolios.

The banks are hoping that the unique Danish system of entering unrealised losses and gains into the profit and loss account in the year in which they occur—which means they have to pay tax on the gains in the good years—will be changed when bank accounting procedures converge under EEC harmonisation proposals.

Danish financial markets are compartmentalised. There has been much discussion about a process of de-compartmentalisation, but so far only one significant development has emerged. The three largest insurance companies, Baltica, Hafnia and Topsikring, set up holding companies, and the holding companies have spawned banks, which so far specialise in insurance-related banking business.

A variety of new services involving co-operation between the banks and insurance companies, or mortgage institutions and insurance companies, have been introduced in the bid for customers.

How the top eight banks performed

	Balance sheet total Kr (bn)	Net profit 1986 Kr (m)	Net profit as a return on equity average between 1982-86
Danske Bank	132.1	52	78
Copenhagen Handelsbank	108.4	−821	56
Privatbanken	95.5	61	60
SDS	73.4	−580	51
Provinsbanken	60.6	70	45
Andelsbank	52.5	19	76
Bikuben	52.1	−321	36
Jyske Bank	45.0	−51	97

Source: Boersens Nyhedsmagasin

Industry

Krone squeezes margins

DANISH INDUSTRY has shown over the past four years that it has plenty of bounce. Manufacturing output increased by a quarter between 1982 and 1986, investment by 79 per cent, employment by about 13 per cent and exports by 41 per cent, according to the Federation of Danish Industries. Over this particular period it even outperformed Japan.

The recovery was needed: in the period from 1977 to 1982 output barely changed, investment declined and profitability collapsed, touching a low point in 1980, when pre-tax returns on sales were only 2.9 per cent.

By 1984, the return on sales was back to 6.5 per cent, easing to 5.8 per cent in 1985 and probably to 4½-5 per cent last year. Return on equity increased from about 11 per cent in 1980 to 24 per cent in 1984-85, but probably slipped to about 21-22 per cent last year, according to preliminary estimates by the finance institute for industries and crafts.

The boom, however, is now over and manufacturing industry faces a downturn. There will be little or no increase in domestic demand this year and export demand is inhibited by the strength of the krone, which is squeezing margins in four out of the five biggest export markets, Sweden, the UK, Norway, and the US.

Only in the German, Dutch and Japanese markets have exchange rate changes helped the Danes. The federation has forecast an increase of only one per cent in manufacturing output in 1987.

The structure of manufacturing, measured by sales, has not changed much over the past decade. The metal goods and machinery industry accounts for about 28 per cent, food processing for 32 per cent and chemicals for 16 per cent.

The most rapid growth since 1980-81 took place in wood products and furniture, 42 per cent; chemicals, 35 per cent; and metal goods and machinery 30 per cent, where the electro-technical sector, with an increase of 33 per cent, and instruments, 40 per cent, were especially buoyant.

The zip in the furniture and electronic and instrument industries illustrates a typical feature of Danish industry. These sectors are dominated by small companies, often owned by one person or a family, and the majority of them sited in Jutland, where over the past decade industrial growth has been most rapid and where the entrepreneurial spirit is especially evident.

They owe much to a long tradition of good labour training and craftsmanship, and while the furniture industry is not usually counted as high-tech, its equipment is as high-tech as it comes.

The furniture industry, which accounts for about five per cent of industrial sales, owes the recent boom to the appreciation of the dollar from 1981 to 1985, when sales to the US soared. It now faces recession.

There are few large companies in manufacturing, only

Continued on page 4

Stock market

Reforms bring squabbles

OVER THE course of the coming year, the Copenhagen Stock Exchange will undergo a major reform. An electronic trading system will be introduced, replacing the present personally-conducted auction system, and the monopoly to trade on the stock exchange held by 27 stockbroking firms will be ended.

From this year onward, stockbroking has to be carried out by a limited company, and anyone meeting the minimum, Kr 5m, equity requirement and able to satisfy the authorities that it has the requisite managerial skill and experience can gain admission to trade.

The result of this is that the banks and other big financial institutions have set up broking companies. This has altered the position of the old broking partnerships, some of which have sold out to banks rather than try to go it alone under the new regime.

The electronic trading system will not be inaugurated with a big bang. It will start with centralised dealing, in the stock exchange only, and with a limited number of papers, in June this year.

Decentralised dealing, from screens outside the stock exchange, will begin in 1988, when the number of papers in the system will also be expanded as experience is gained.

A first consequence of the new dealing system will be that most bond trading, of which only 2 or 3 per cent under the present system actually takes place through the stock exchange, will return to the official market system.

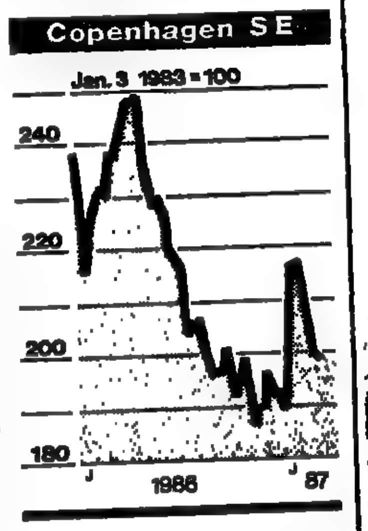
For shares, the new system will provide much more information than is available under the present, primitive system, where the only thing known with any certainty is the price at which trades are made.

The Danes abolished physical bond papers in 1983, when the much-admired all-electronic securities registration centre was inaugurated.

The reformed bourse will be a big improvement on the existing system, but its introduction has been delayed by disagreements between the old stockbroker community and the banks. This meant that the system as it will now function was imposed on the squabbling parties by the Ministry for Industry.

A consequence of the delay is that Copenhagen is in danger of seeing a market in options and futures in Danish bonds opened by stockbrokers in London. However, the shock of the London initiative has concentrated the minds of the Danish financial community, which hopes it can avert this insult to its prestige by establishing an options market shortly.

The Copenhagen share market performed dismally last year, with prices off by some 25 per cent, but this year began with a recovery.



Agriculture

Twin challenges lie ahead

DENMARK WAS the only continental country not to protect its farmers in the 1870s, when corn from the US began to flood across the Atlantic, the free trade regime spurred its farmers to develop one of Europe's biggest and most efficient agricultural export industries, famous, especially, as the supplier of bacon, eggs and butter to the British market.

The farm industry survived the great depression of the 1930s and exclusion from the markets of the six original EEC members in the 1960s and remains a major economic factor and export earner. But Danish agriculture is now facing "its toughest challenge in this century," says Mr H. O. A. Kjeldsen, who besides being the president of the agricultural council (umbrella organisation for the Danish farmer organisations) is also the current president of COPA, the European farmers' organisation.

It is a twin challenge—from the need to reform the EEC's Common Agricultural Policy and from radical measures which are being taken in Denmark itself to curb water pollution from agricultural land.

Mr Kjeldsen accepts the necessity for adjustments to the CAP, but considers that the price and other proposals tabled by the EEC Commission are too drastic. He also says that it is essential that the EEC obtains agreement from other major agricultural exporting nations to reform the subsidy policies which are contributing to the food surplus.

The fact that the Folketing (Parliament) has found this an opportune time to impose severe environmental restrictions on agriculture has added to the demoralisation of the farming community. However desirable for the community at large, the measures proposed will have serious consequences for both production and earnings in agriculture.

As it affects the farmers, the Government's three-year plan (which will be completed this spring) to reduce pollution of Danish coastal waters by nitrogenous products and phosphates requires heavy investments in storage facilities for liquid manure, so that it does not leak into stream and rivers and can be spread on fields at times when plant growth will absorb the nitrogen.

The plan also imposes restrictions on fertiliser use. If the use of artificial fertilisers is not reduced from about 400,000 tonnes a year to 300,000 tonnes by 1989 and 250,000 tonnes by 1990, taxes, doubling the present cost of fertilisers, will be imposed, the Folketing's left-centre "green" majority has demanded, against the advice of the minority coalition government.

The farmers are also being called upon to adopt a "green fields" policy for sowing grass in the autumn to prevent the wash-out of nitrogen wastes from fields left unplanted through the winter.

The 145,000 people, about 6 per cent of the labour force, in agriculture produce enough food to feed three times the 5.1m population of Denmark. This makes them one of the biggest agricultural exporters in Europe.

It is particularly notable that about half the agricultural exports, including CAP export restitutions, go to third, non-EEC countries, and that export restitutions account for about 20 per cent of the value of these third country exports. About 80 per cent of the EEC's third country pigmeat exports are from Denmark. When, or if, the EEC brings prices closer to world market prices, the Danish farmers will suffer severe profitability problems in third markets.

The farmers produce about 5m tonnes of milk, 1.8m tonnes of pigmeat and 250,000 tonnes of beef and veal a year, as well as almost 8m tonnes of cereals, and 3.5m tonnes of sugar beet.

Total production has increased by more than 40 per cent since Denmark joined the EEC, with arable production doubling and livestock production increasing by about 27 per cent. The total man-years going into this production have fallen by 40 per cent over the same period.

Pigmeat, Kr 11.0bn, cheese, Kr 3.8bn, butter, Kr 1.4bn, canned meat, Kr 4.7bn, and powdered milk, Kr 1.7bn, are big export items, plus mink pelts worth Kr 3.0bn.

The largest of the third country markets include the US, where canned pigmeat exports were worth Kr 2bn and cheese exports Kr 300m last year, Japan, which buys pigmeat for Kr 3bn, and the Middle East markets, which are important for powdered milk and cheese—Iran, which buys 70,000 tonnes of cheese for Kr 480m, is the second biggest market for cheese after West Germany.

In Europe, Germany is the bigget market for agricultural exports in 1986, followed by the UK. While pigmeat weighs most heavily in exports to the UK, half the exports to Germany are of arable products, including corn and seed.

After a crisis between 1979 and 1982, when soaring interest rates, falling property values and inadequate product prices caused 5,500 foreclosures in a five-year period, or more than in the early 1930s, farm incomes recovered in 1983-85. But farm family incomes on farms worked on a full-time basis fell by 13 per cent in 1986 and in 1987 are expected to decline by about Kr 15,000 to Kr 130,000, according to the Ministry of Agriculture.

The number of holdings worked full-time has fallen from 56,000 in 1979 to 42,500 in 1986. They account for 85 per cent of output, the remaining 53,000 holdings for 25 per cent.

The agriculture sector is looking for ways to brace itself against the coming shocks. Minister of Agriculture Britta Schall Holberg and agricultural leaders have worked out a strategy plan, which includes the investment of a substantial sum for the development of more highly processed food products, with a higher value added.

According to Mr Kjedlsen, however, there is so much uncertainty in the industry that the strategy plan is not finding any takers.

There is also a lively interest in the development of niche products, ranging from deer farms to worm farms (worms are small machines for converting almost any organic substance to compost). One farmer took the EEC payments for stopping dairy production and furnished the cowshed with tubs in which he now breeds eels.

But the words of warning coming to the farmers from their expert advisers are laden with gloom, and the farmers are getting the message. As a Jutland farmer told a conference on the future of agriculture at the end of February, about 700 farmers a month are joining the special unemployment insurance system for the self-employed, where a total of 20,000 farmers are now enrolled.

A farmer who came to this conference to hear the words of wisdom from Mrs Schall Holberg herself, Denmark's EEC budget commissioner Henning Christophersen, Mr Jjeldsen and others, caught the mood of the proceedings when he commented to the conference that all that was left for him now was to go home and plan his bankruptcy. The agricultural economists suspect that he will be joined by several thousand farmers over the next three or four years.

Industry margins squeezed by Krone

Continued from page 3

about 90 with more than 500 employees and only a handful with more than 2,000 and only two with over 5,000. The flagship companies include Novo, for enzymes and pharmaceuticals; Danfoss, for temperature control equipment, hydraulics and electrical drives; Lego, for toy building sets; Grundfoss in pumps; the big meat processing companies, led by Tulip; United Breweries, known for Carlsberg and Tuborg; Dansk Sukkerfabrikker; Skandinavisk Tobacco; Superfos, for fertilisers, packaging and building insulation materials; and F. L. Smidth, a diversified manufacturing conglomerate with the design and manufacture of cement mills as its core speciality.

Manufacturing's share of total output has remained stable at around 19-20 per cent since the 1950s, but its share of exports has increased from 24 per cent in 1950 to about 67 per cent last year. As the outlook for agricultural exports is bleak, manufacturing will have to carry the main burden of sustaining export growth.

The present Government has attached importance to encouraging structural adjustment, but its tax policies, as they affect industry, have had an adverse effect.

The Government has stepped up training programmes to help increase the supply of labour in sectors where there are bottlenecks. It has boosted export promotion budgets and it is implementing a four-year plan to increase research and development expenditure.

In most international comparisons, Denmark comes out as spending relatively little on R & D, only about 1.2 per cent of the GDP, but a detailed study by the federation suggests that the situation is not quite what it seems. Small Danish companies, and most of them are small, spend much more on R & D than similar companies in other industrial countries, where the great bulk of the R & D expenditure takes place in companies with over 5,000 employees.

Corporate profits tax has gone up from 40 to 50 per cent. Payroll taxes (employer's social security contributions) have doubled, and the deduction for entertainment expenditure cut from 100 to 25 per cent (this alone cost industry Kr 300m a year in extra taxes, just about equal to the Kr 1.4bn increase in government research expenditure 1986-1990).

The wealth tax, doubled from 1.1 to 2.2 per cent in 1980, is another bugbear. It means, that business success can actually become ruinous.

Until February this year, anyone heading for the wealth tax trap could — and many did — emigrate before realising his fortune in shares, but in February a new rule was introduced which means that anyone who emigrates is liable to pay all the taxes which he would have had to pay if he had stayed in Denmark, a rule which was unkindly referred to by one of the country's leading economic commentators as a financial Berlin wall.

Profile

Maersk

Benefits for a fast learner

THE FLEET operated by the A. P. Moller (Nordic) companies, under the Maersk name (after Mr Maersk McKinney Moller, head of the Moller business and son of the founder, Arnold Peter Moller), is not quite synonymous with the Danish fleet, although at six million dwt it is almost as large as the fleet under the Danish flag, but it generates roughly 60 per cent of Danish gross shipping income.

Maersk operates in almost every type of shipping. Its fleet of 130 vessels includes a 4 million dwt tanker fleet as well as product carriers, auto-carriers, container vessels, 30 offshore drilling units, supply ships, tugs, barges and anchor-handlers.

Maersk has successfully navigated the treacherous shipping market of the past decade to come out financially unscathed (the 1986 results have not been published yet) and with a larger fleet.

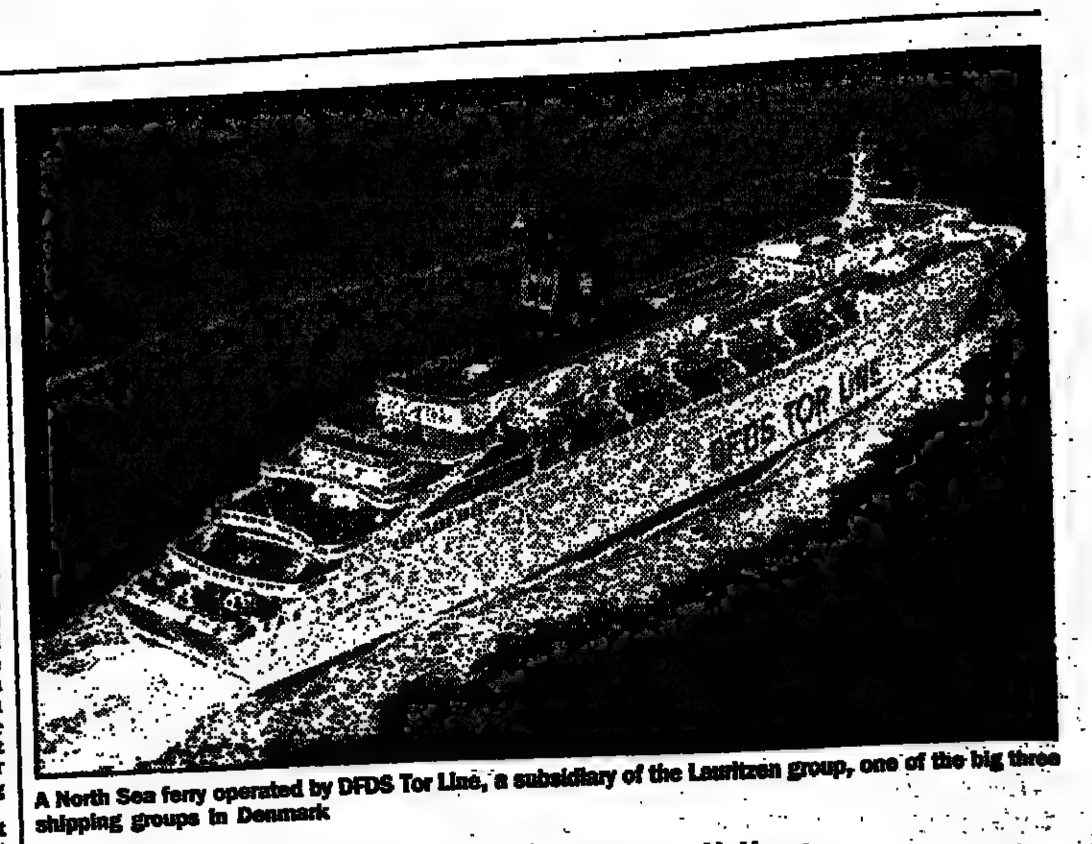
Expansion has taken place especially in liner trade. Maersk was a late starter in containerisation, but a fast learner. It now has a containerisation capacity of about 60,000 tue (twenty foot unit equivalents) making it the world's number three.

Maersk operates scheduled liner services on nine routes, US-Far East, US-Middle East, Europe-Far East, Far East-Middle East, US-West Africa, Europe-Middle East, Europe-West Africa and Japan-Indonesia-Thailand. It leaves the North Atlantic traffic to others.

Maersk operates on fixed schedules and sets store by a high standard of personalised customer service, sometimes earning it the description by competitors as the Rolls Royce of the liner business.

The liner services are served by a fleet of feeder vessels, either owned or operated by Maersk, which has its own offices and representative in 40 countries. In the most recent years it has expanded particularly rapidly in Europe, both through the development of feeder services to the major basis ports and also with UK-Continental services operated under the auspices of the Maersk Company Ltd in London.

The A.P. Moller associated companies do not consolidate their accounts into a group account, so the total turnover is not known, but, with 25,000 people employed world wide, it is Denmark's largest business by almost any definition. In addition to its shipping activities, Moller owns the Odense shipyard, the Maersk Air airline, is a partner (with Shell and Texaco) in Danish underground consortium, which produces oil and gas in the Danish sector of the North Sea, and owns five manufacturing companies in Denmark as well as joint owner of one of the country's biggest supermarket chains.



A North Sea ferry operated by DFDS Tor Line, a subsidiary of the Lauritzen group, one of the big three shipping groups in Denmark

Shipping and shipbuilding

Switch to specialisation

DANISH SHIPPING has come through the past decade in better shape than many of its competitors, and Danish shipbuilding has survived, but only after a last-minute rescue action by the Government last year.

The merchant fleet at the end of last year totalled 6.9m dwt, compared with 7.3m dwt in 1976. The number of vessels has fallen from 917 to 564, however. The tonnage stability and decline in numbers is the result of increasing specialisation, said Mr Knud Pontoppidan, managing director of the Shipowners Association, especially the complete containerisation of the liner fleet, which ranks seventh in the world, and the development of a substantial fleet of large product tankers.

There has been a gradual increase in flag transfers, with about 100 Danish-owned vessels sailing under other flags today, "but nothing dramatic," said Mr Pontoppidan.

Denmark's gross shipping income declined from Kr 24bn ($3.4bn) in 1985 to Kr 18.8bn in 1986, most of the decline being explained by the 25 per cent appreciation of the krone against the dollar in 1986.

The big three in Danish shipping are the A. P. Moller (Nordic/O) companies, the East Asiatic Company, which operates through Scandutch (with Wilh. Wilhelmsen, Norway, and Johnson, Sweden) as well as on its own in the Pacific, and the Lauritzen group, which operates one of the world's biggest refrigerated cargo fleets and is parent company to DFDS, which is a big power in the North Sea for both passengers and freight.

The spotlight has focused recently on the fleet of about 300 tramp freighters, some of which have been involved in carrying arms to Iran from Israel and other places.

The Iran involvement, exposed by the pro-Arab, left-wing dominated Danish seamen's union, has caused the opposition Social Democratic Party, with the backing of the left-centre majority in the Folketing, to introduce legislation which will require "all involvement" of Danish ships in the shipment of arms, ammunition, military equipment or spare parts to be approved by the Ministry of Justice, and which will ban all shipment of these cargoes to countries involved in hostilities or with a high risk of becoming involved.

As the legislation stands after the first reading, the shipowners' association says it is so sweeping that it will prevent Danish liner vessels from obtaining business in competition with ships whose owners do not have to ask first before accepting a container carrying, for example, uniforms or jeeps. Danish tramp freighters will be unable to obtain charters in competition with ships not subjected to restrictions, says the association.

The final version of the legislation will emerge later this spring. If it is not rephrased in more moderate terms, the shipowners say the legislation will cause the destruction of a large part of the Danish fleet, including its liner business, which accounts for about 65 per cent of shipping earnings.

Danish shipyards have not normally received any direct subsidies, but they have been indirectly subsidised through a system by which individuals could reduce income tax by investing a sum in a ship on a partnership basis—with full liability. Full depreciation of 30 per cent a year could be claimed from the first year of investment.

The system was stopped by legislation passed in December 1984. From then and until September 1986, the Danish yards received no orders. Faced with the imminent closure of all the Danish yards, the Folketing relented and restored, for a limited period and in modified form, the old system.

Four major yards have survived until now: the A. P. Moller yard at Odense, the Burmeister & Wain yard in Copenhagen, the Lautitzen group's Aalborg and Frederikshavn yards. East Asiatic Company's Nakskov yard is closing and Lauritzen's Elsinore yard has gone.

INTERNATIONAL COMPANIES and FINANCE

Canute James explains Prime Minister Robinson's plans to divest loss-making state-owned enterprises

Trinidad aims for privatisation and foreign involvement

TRINIDAD and Tobago's new Government, elected late last year, is to begin efforts soon to divest several major state economic enterprises. The move is part of its policy to increase foreign and local private business involvement in the economy, and to broaden the base of ownership.

Behind the broad policy of Mr A. N. R. Robinson, the new Prime Minister, is an even more fundamental aim. Many state companies have been losing money, and hiving them off would ease pressure on the budget by ending the need for large subsidies to the companies, and provide a significant cash injection.

State enterprises include several petro-chemical plants, oil refineries, an airline, a sugar mill and refinery, a steel mill, banks and utilities such as electricity and telephones. But they will need to be more financially viable before they can be offered as credible investments. Mr Robinson says there is the need for most of them to be "restructured."

"We will be carrying out a major review of all the state enterprises," the Prime Minister said. "Those which produce public goods will be retained, but those which are in competition with the private sector will be divested."

Government officials say it is unlikely that the new administration will want to consider divesting any part of the oil or natural gas industry, which has been making money, and on which 80 per cent of the economy rests. Utilities fall into the category of "public goods" which will not be touched, but the spokesmen say Trinidad and Tobago Airways will need several years of restructuring before it can be made attractive to private business.

Although it is known that several state companies have recorded heavy losses in recent years, the Government says it has not been able to determine just how much the deficits are.

"We will make a serious effort to broaden the scope of ownership of these enterprises," Mr Robinson explained. "If ownership of these companies is spread over a wide range, it will end the secret society approach to their management and finances. With state ownership it meant effectively that one man held all the shares in state enterprises with investments of billions of dollars."

First efforts at divestment are likely to centre on a steel mill and several new plants producing ammonia, methanol and urea, all located on an ambitious industrial estate in southern Trinidad. The estate, Mr Robinson said, cost $3.4bn to establish, and most of the plants have lost money.

The Prime Minister argues that these can be made viable and attractive to private owners. "It is not that some of these projects could not make money, but it was through political interference and bad management that they have lost so much."

The Iron and Steel Company of Trinidad and Tobago, the Prime Minister said, had projected a profit of $24m in 1983, but instead recorded a $108m loss. A loss of $81m the following year followed anticipated profit of $48m.

Ironically, it was these losses which drove the previous government to divest the management of the mill. Voest Alpine of Austria and Neue Hamburger Stahlwerke last year took over the operations of Iscot in a joint venture with the government. The plant, built at a cost of $460m, has two direct reduction units with a combined capacity of 900,000 tonnes per year, and rated annual output of 700,000 tonnes of billets and 600,000 tonnes of wire rods.

Mr A. N. R. Robinson: "effort to broaden the scope of ownership"

Government officials also suggest that the administration will consider its involvement in some joint ventures such as Tringen, an ammonia plant, in which W. R. Grace of the US has a 49 per cent stake. Quoting what they said were "available figures," the officials said the company lost $3.9m in 1983 after projecting a profit of $4m. New owners are likely to be sought for the Government's 51 per cent stake in a second ammonia plant which it owns with the Amco Oil holding company of Chicago, a subsidiary of Amoco.

"Consideration will be given in due course to divesting the government's financial and managerial involvement in these enterprises, including urea and methanol production, but this will, of course, take some time," explained one official.

"Not only are matters of valuation to be decided, but the new owners, particularly if they are foreign, will have to convince us that they will be good corporate citizens."

The state-owned urea plant was constructed by Snamprogetti of Italy, and has a rated capacity of 580,000 tonnes per year. Among other candidates for divestment are National Fisheries, which lost $8.3m in 1985 and Trinidad and Tobago printing and packaging which lost $1.7m.

But there are changes planned for Caroni, the sugar producer. Land under cane is to be sold off to help diversify agriculture and adjust sugar output to meet domestic demand.

Officials say the company's annual losses averaged $100m, with the cost of production reaching $1,600 per tonne, about 10 times the world market price.

"In cases where the government will still be involved, the divestment model which we intend to use in this process will have a tri-sectoral structure," Mr Robinson explained. "It will involve the government, worker participation and private capital."

Ottoman Bank bids farewell to traditional agricultural image

BY DAVID BARCHARD IN ANKARA

EVERY EVENING television viewers in Turkey watch the suavely pinstriped figure of Mr Francois de Rancourt, general manager of the Ottoman Bank, reminding them that his bank may not be Turkey's biggest but it is the country's oldest and it intends to go on putting its customers first.

"Our customers should get the same service as they do in Paris or London" says Mr de Rancourt, in the evocative office in the Galata Quarter of Istanbul which he has inherited from his 19th century predecessors.

Popularity with its customers kept the bank—once the central bank of the Ottoman Empire—alive during long decades after the First World War when most other foreign banks moved out of the country.

Though the bank is foreign-owned, with 500,000 shares quoted on the Paris and London stock exchanges, of which 45 per cent belong to Paribas, the Ottoman Bank has been a part of the Turkish scene for so long that it counts as a local bank.

Mr de Rancourt, who worked with Citibank for 15 years and is as much at home in English as he is in French, says: "The Ottoman Bank is unique in Turkey. It would take up a lot of people's time to alter its complex legal status. I think the Turks consider it part of their heritage."

The heritage has left the Ottoman Bank with a niche in the Turkish market enjoyed by none of the foreign banks which have set up since 1980, but also with many of the problems of other Turkish commercial banks.

The Ottoman Bank is among Turkey's top 10 banks with 90 branches (other foreign banks are limited to six) and a staff of 1,700. It has a net worth of TL 17.1bn ($22m) with a balance sheet of TL 350bn, deposits of TL 171bn and a portfolio of TL 106bn.

The turnround in interest rate policy in Turkey in the early 1980s hit it as badly as most Turkish commercial banks. It ran up problem loans of $7.2m ($11.4m) and eventually Paribas responded by sending in a team of corporate finance officers to sort things out. The board ploughed earnings back into the operation, increasing the capital to the present TL 17.1bn.

The portfolio problems have now mostly been resolved. The Ottoman Bank's problem loans are down to TL 2.3bn which are all recoverable: and 1986 saw the bank return to the black with an operating profit of TL 13.7bn and net profits of TL 6.8bn.

Its ratio of net profits to risk assets rose from 0.4 per cent in 1985 to 6.2 per cent last year — a figure which suggests that the Ottoman Bank is moving out of the sluggish world of Turkish commercial banks and into line with the smaller foreign banks which consistently enjoy high rates of return.

Traditionally the Ottoman Bank serviced the marketing of Turkish agricultural exports such as tobacco, cotton and figs from Izmir and Adana, where it maintains its own warehouses, sometimes lending against goods.

Latterly, however, it has begun to shift towards the market among multinational and local industrial groups. The Ottoman Bank has an obvious advantage over most of the newer foreign banks in Turkey in its large deposit base. It is trying to match this with better services by investing heavily in trained staff.

"People who have really clean balance sheets can make a lot of money in this market," says Mr de Rancourt. Under him the Ottoman Bank has tried to give slightly cheaper rates to prime customers than other banks. Last year, the bank was offering funds at 56 per cent to its best corporation customers—which was about as cheap as any bank lending to industry.

To prune its overheads, the bank monitors changes in the business life of Istanbul continuously, shutting down branches in areas which it thinks are declining and replacing them with new ones in up-and-coming areas. "We are restructuring our branch network steadily," says Mr de Rancourt, "though I don't think there will be any overall reduction in the numbers."

The aim seems to be a continuous discreet upgrading of the bank until it takes advantage of its unique position to draw abreast with market leaders in both the foreign and the domestic segments of Turkey's banking world.

Company Notices

The man who put cash cows out to grass

Michael Porter, Harvard's most fashionable business professor, discusses his work in an interview with Christopher Lorenz

WHEN Michael Porter's seminal book on "Competitive Strategy" first hit America's bookshops in 1980, it was immediately castigated by the ultra-fashionable Boston Consulting Group as little more than "a laundry list."

There could have been no surer sign of BCG's fear that the 33-year-old Porter might be about to usurp its decade-long pre-eminence as the most influential source of strategic advice and analytical techniques for companies all over the world.

And so it has proved. Within three years Porter had taken students and his fellow staff at Harvard Business School by storm, and emerged unchallenged as its 1980s megastar. In the outside world his booming consultancy and lecturing work had already started to lift corporate strategy in American business to a new level of sophistication.

By the time Porter's second major book, "Competitive Advantage," had won the US Academy of Management's 1985 award as the year's most outstanding contribution to management thought, his name was familiar in boardrooms across corporate America, and was starting to ricochet around the world.

"Competitive Strategy" has now sold over 300,000 copies in English alone, and been translated into 10 languages. The second book is proving at least as successful, and no self-respecting chief executive of a company of any size would now admit to ignorance of Porter's techniques for analysing industries and competitors, and his ways of plotting how to become more competitive.

His consultancy clients include such major names as Arthur Anderson, Campbell's Soup, McGraw Hill, Montedison and Shell.

Neither of his books may be as readable as million-selling business blockbusters such as "In Search of Excellence" and "Megatrends"—Porter himself admits that "Competitive Strategy" has a rather "turgid" style—but then his work presents far more of an intellectual challenge.

Whereas "Excellence" and most other works of business pop-punditry focus on the so-called "soft Ss" of management—style, skills, staff and shared values—Porter has concentrated on honing the equally vital "hard Ss": structure, systems and especially strategy. Where "Excellence" was a racy compendium of "lessons from America's best-run companies," Porter's books and lectures are, in essence, codifications of rigorous theory. They may be peppered with practical examples, but they are the work of a true pedagogue.

Even in casual conversation, Porter finds it difficult to relax his mental rigour. He is forever enumerating lists of points and issues in minute detail, then rounding back (often in strict reverse order) and summarising them. It is a somewhat central European style, perhaps born partly of his half-Czechoslovakian parentage, but also influenced by his ultra-analytical training as an engineer and economist.

Yet the earnestness of his approach to any subject is relieved by a quiet sense of humour. Even when responding to criticism of his work, and allegations that it encourages "paralysis by analysis" among his many corporate admirers, the tall, blond professor is not beyond lapsing into the occasional self-deprecating remark, accompanied by a sheepish grin.

It was Porter's Harvard doctorate in economics which gave him the practical tools to grab the fashionable world of strategic analysis and consulting, and breathe new rigour into it.

"The fundamental difficulty with BCG was that it tried to create one logic and strategy that provided the ultimate solution to any problem," he says. "It tried to take all the richness of competition, to say that the only important thing happening in any industry was the inexorable decline of cost, and that there was only one thing a company could do: capture that advantage by getting ahead of the 'experience curve'." This was the term which BCG coined to describe the supposedly mathematical relationship between the accumulation of experience (in the form of investment, scale and organisational learning) and the ability to cut costs.

As a result, the simplistic notion gained ground that the only route to success was to achieve massive scale and market share leadership—otherwise it was not worth staying in business. Yet in fact, as Porter stresses, "there is an infinite number of possible strategies, even within the same industry."

It was the same with BCG's famous "portfolio matrix," that hackneyed four-box diagram featuring stars, question marks, "cash cows" and drooping "dogs," which supposedly told companies whether (respectively) to build a particular business, hold it, "harvest" it, or get rid of it.

"I set out to conceive of strategic alternatives in the most fundamental terms," says Porter. By developing a highly complex map of corporate activities called "the value chain," he created a new awareness, as he puts it, that "competitive advantage doesn't grow out of a company or a business as a whole, but out of particular activities in its value chain," such as procurement, technology, development, human resources management, and so on.

Once a company has defined precisely which activities in the chain give it a competitive advantage, says Porter, it can then take the necessary action to reinforce that advantage, or to create one in other activities as well.

Porter sees the value chain as a degree more sophisticated than McKinsey and Co's basically similar, but longer-standing concept of the "business system," though the American consultancy disputes this.

To the complaint that full value chain analysis is too complex and laborious for many executives to handle, Porter retorts that "to manage themselves well, companies will ultimately have to develop the capacity to think at this level."

The other, more controversial, innovation for which Porter is best known is the concept of "generic strategies": the idea that every company must make a choice between being the lowest-cost supplier in any particular industry, and achieving real differentiation by offering unique features that the buyer considers important. "You can't be a superior performer unless you've got advantage in one or the other," he argues. "The biggest error in strategy is to get stuck in the middle."

Take the British motor industry, Porter invites. "Jaguar has made a clear choice: for differentiation in a narrowly focused market. But Austin-Rover hasn't: it's neither low-cost, nor differentiated, with neither a broad scope nor a narrow one. It's stuck in the middle, floundering."

The Japanese motor industry, by contrast, set out at first to be primarily low cost, and according to Porter's analysis has only recently moved towards differentiation. He contradicts the conventional wisdom that Toyota's breakthrough into the US market in the 1960s and 1970s was achieved by majoring on both low cost *and* differentiation (especially through superior reliability and service).

"Neither they nor the other Japanese auto companies tried to differentiate in the sense of charging a premium price for unique features," he insists. "They were fundamentally trying to price below the competition."

When pressed about criticism that his generic strategies concept is acting as a straitjacket on competitive innovation among western companies, rather than liberating them to fight the Japanese with every possible weapon, Porter concedes that it is occasionally possible to be both low-cost and differentiated at the same time. IBM has done so, although "it is always very clear that its fundamental mission is differentiation, through software, selling and support."

"If you have the opportunity to be both, then take it," advises Porter. But even with the advent of flexible manufacturing systems and other forms of new technology, "you must always remember that the forces of competition are going ultimately to make you choose. If you don't know which is your principal source of advantage, you're going to be very vulnerable to the focused competitor."

All the same, Porter admits the need to revise his first book to state more clearly that companies should not just concentrate on either cost or differentiation, but should balance them in one of many different ways. "Any strategy is a blend of them both," he now declares.

The shortcomings of "generic strategies" are compounded by Porter's tendency to present the concept in precisely the sort of simplistic either/or diagram for which he so vehemently attacks BCG. "One obviously can't capture strategic alternatives in a simple matrix," he concedes. "I create these pictures because most people need them to help get into an idea. It's amazing that what people remember is the chart, and not the hundreds of words that I write. I hope the actual writing makes it clear that there actually are many nuances. But these pictures are very dangerous things."

Even if people are not misled by the diagrams, and digest every word, Porter is clear that reading and education can only go part of the way towards creating competent managers. Harvard and several other US business schools are trying hard to avoid a narrow academic bias and improve their training of managers, he says. "But the important reality is that it's very hard to teach people in a classroom how to manage something. A business school can't be expected to produce the complete manager by instilling a person with leadership qualities and the ability to deal with other people."

A similar limitation applies to his own ambitious techniques of analysis and strategy development. "No tool can remove the need for creativity in selecting the right strategy. Great companies don't imitate competitors, they act differently."

"The agony of a scholar in the field is you can only take the practitioner to the precipice of that creative innovation. We do need to discover how the process of creativity takes place. But ultimately people have to jump the precipice themselves."

Roger Taylor

Michael Porter: his books are the works of a true pedagogue

Servicing customers

Why right is not necessarily best

Michael Skapinker on a quality conundrum

IN THE old days, companies used to compete on price and quality, says Herbert Davis. Today, there is a third crucial element: good service. Few would disagree. So why did Davis tell a London audience that there are some customers who just do not need that same high level of service?

"You can't do everything for everyone," he explained afterwards. Companies do need to train their staff to deal politely with customers and they need to meet promised delivery dates. But they also need to differentiate between customers. Some customers will go elsewhere if you can't deliver in two hours. Others will happily wait for ten days.

"Most companies don't differentiate between customers. As a result they end up with a level of service that is the lowest common denominator," he says.

Davis is a logistics and customer service consultant from New Jersey, US. His consultancy, part of the Reliance Consulting Group, has a client list that includes General Electric, Du Pont, Chevron Oil, Union Carbide and the Oxford University Press. To some, his thesis might seem controversial. But the company executives who heard his speech earlier on seemed to have no serious objection to it.

Although customer service is a more important competitive weapon than ever, he says, it is becoming harder and harder to deliver. Customer expectations are higher and inventories are lower, so that mistakes are easier to make.

Which is why it is important to differentiate not only between customers, but also between regions and products. Take a builder's merchant who supplies doors. A customer who wants to buy a standard door will expect to be able to drive off with it immediately. A customer who wants a hand-carved door will expect to wait. As long as the builder's merchant can name a delivery date and meet it the customer is likely to be satisfied.

Different regions must also be treated differently. London might be a competitive market for a particular product, with a large number of suppliers competing for custom. Edinburgh, on the other hand, might be serviced by a single supplier. That single supplier can take his time getting the products up to Edinburgh, but he had better get to the London market on time.

Isn't this what people do anyway? Doesn't everyone lavish greater attention on the higher-spending customer and on the more competitive market? Well they think they do, says Davis, but they often don't know for certain where their most demanding markets are. Differentiation needs to be based on extensive market research to determine not only what the customer expects but also what competitors are capable of providing. "It has to be part of a carefully conceived plan," he says. "In most companies it just happens."

Isn't differentiation going to mean that service standards are compromised? Late delivery to Edinburgh might make business sense, but to the Edinburgh customer won't it just seem like bad service? "It may not be the best service," he concedes, "but it's the right service. It shouldn't be perceived as good service or poor service. What we want is the right service for each market and for each customer."

But what of the effect on the employees? It's hard enough to teach them to take customer service seriously in the first place. What are they going to make of a message which says that some customers don't need the same care and attention?

Philip Crosby (the American quality expert interviewed on this page last November) argues that as soon as you allow for a certain proportion of defects, quality starts to slide. You have to decide that you are going to get it right first time, for everyone. What would Crosby make of a message which says that some people deserve better quality service than others?

Davis is not stuck for an answer. Adjusting to the lower expectations of a certain customer or market is not the same as tolerating a defect. "It's not a defect because it takes longer to deliver. It's what the customer accepts as the norm," he says.

THE PROPERTY MARKET By PAUL CHEESERIGHT

The rise and rise of the Richardson twins

MR AND MRS Richardson paid 15 shillings a week in the 1920s to rent a house just by the steelworks at Dudley. It was too expensive. So they moved next door on a rent of nine shillings a week. Two rooms up and two rooms down.

That was where Don and Roy Richardson, twins, born in 1930, were brought up. The original 15 shillings a week house is still here, just outside the border of the Dudley Enterprise Zone. Just inside the border, by the childhood home, the Richardson twins own 300 acres of land.

This is Merry Hill, best known now as an edge-of-town shopping centre with over 600,000 square feet of space already working and another 1.2m square feet scheduled for opening by Christmas 1989. But, in fact, Merry Hill is also an industrial estate with about 70 occupied units ranging from 1,000 to 30,000 square feet and rents running at up to £3 a square foot. There is also some housing and open land given to the local council for leisure use.

Merry Hill equals Richardson Development, the private company holding the interests of the twins. It is the biggest Richardson development and now, because of the size of its shopping centre, a key factor in how the West Midlands planners settle a shopping policy for the Birmingham conurbation.

Last Saturday 80,000 people visited the centre. Projections suggest that more than 3m people will arrive during Saturdays throughout the year. Surveys done show that just under half the shoppers come from Dudley, about a third come from within 10 miles and the rest from further afield. So Merry Hill is having an impact on the whole of the Birmingham area.

And it has all happened in three years. More than 50 national retailers have taken premises, drawn, at least in part, by the rates holiday offered by presence in an enterprise zone. The Richardsons make no secret of the attraction for them of the 100 per cent tax allowances for capital expenditure on commercial and industrial buildings in such a zone. "The enterprise zone brought back incentives to people like us," said Roy.

DON RICHARDSON argues that the early success of Merry Hill owes much to "pent-up demand which has been bottled up." Planners, he said, "refused to see reality."

But planners up and down the country are mixed in their reaction to edge-of-town shopping centres, caught between a desire to preserve the existing town centre fabric and, in some cases, a desire to promote anything which brings jobs.

It was the initial failure of the Dudley zone to attract development that brought the Richardsons in. Because they had a track record in promoting industrial estates, Dudley Council sought their participation. The enterprise zone had been set up in 1981, not long before British Steel suddenly closed its Dudley plant. In four purchases, the Richardsons accumulated 300 acres at a price they will not disclose save that it was "at the bottom of the market."

The Merry Hill project, now with an investment value moving towards £250m, was conceived in 1984 and the first phase building started a year later. The Richardsons had seized their chance—a chance made possible by the recession and rock-bottom land prices. "We had always been trying to build up large sites but it was impossible to do. When you've got large sites you can do your own thing," said Don.

The next large site the Richardsons have their eyes on is the Wolverhampton racecourse. They paid £1 to the Wolverhampton Racecourse Company for an option to pursue the redevelopment of the 200-acre racecourse with any proceeds split 50-50.

The plan is to move the racecourse and construct a new all-weather track at a cost of £15m on a nearby site and use the 200 acres in a way not dissimilar from Merry Hill—industrial, housing and up to 70,000 sq ft of shopping.

The Merry Hill Centre, Dudley

Merry Hill and Wolverhampton are a far cry from the early property experience of the Richardsons. The twins, who have worked in partnership for 40 years, were truck distributors who found that extra money could be made by developing land they bought for depots. The first venture was at Stoke-on-Trent in 1964.

They have concentrated their activities on the Midlands but are now beginning to look outside the region. An indication of their spreading ambition is the purchase of 51 per cent of Burns Anderson and 42 per cent of Regentcrest, both quoted companies. The first is a Fiat dealer with shopfitting and financial service arms. The second is an old Slater Walker property vehicle once known as Laganvale Estates.

These deals increase the financial flexibility of the Richardsons. If they want to buy something they can use the paper of the quoted companies. Or, if it suits them, they can reverse in their own private interests.

But they do not seem keen to change their style of business. They remain cautious about spelling out the detail of their financial circumstances. But Roy was categoric about Merry Hill: "It will be done without us going into the red," he said. "We don't owe money on anything else either," he added. "We've made enough over the years," noted Don.

They have set their faces against long-term borrowing. Ninety per cent of developers borrow—"they count on the profit before it's made," Don observed. The Richardsons have facilities available at their bankers, but, said Roy, "if we ever go into the red at the bank, we get out of it as quickly as possible."

This independence, they consider, gives them the ability to move fast. They have worked together so long that they can make decisions even without consulting each other. And, said Roy, "we're not under pressure from any institution or bank."

A shop-around for the West Midlands planners

THE GROWTH of Merry Hill and the grant of planning consent for a 2m sq ft shopping scheme—Sandwell Mall—near Wednesbury cuts the options of the West Midlands planners.

Seven boroughs in the Birmingham area last year commissioned Drivers Jonas, the London chartered surveyors and consultants, to prepare a study looking at the likely impact of edge-of-town shopping centres on the existing town centres.

The disappearance of the West Midlands County Council forced the boroughs to seek a joint planning strategy for shopping in just the same way as their counterparts in Greater Manchester.

Apart from Merry Hill and Sandwell Mall there are four other plans for major centres around Birmingham that could add nearly 4m sq ft of shopping space, if they were all built. Such a figure is the rough equivalent of building the existing shopping space in the nine main centres of the area all over again.

These four planned schemes are at Wolverhampton—the new venture of the Richardson twins—Cranmore near Solihull, the old power station at Walsall and at Fort Dunlop, just by the M6 in Birmingham.

If the seven boroughs—Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton—stick to the shopping strategy laid down in West Midlands county structure plan, drawn up before the abolition of the metropolitan authority, then the chances of these four applications being approved is slim.

This structure plan laid emphasis on strengthening the existing shopping centres and on resisting the applications for out-of-town schemes, arguing that the existing centres would be vulnerable to a loss of trade.

But the Drivers Jonas study makes the point that over the past 10 years the amount of retail development in the major existing centres has been limited, especially in comparison with what has been happening in places like Redditch and Telford.

Drivers Jonas looked at the trend of consumer expenditure and concluded that it could support a further 650,000 sq ft of floorspace by 1991, noting that "this is from a base line which does not include the two centres which have planning permission."

If the trend in spending expected to run to 1991 continued for another five years then there might be scope for a further 650,000 sq ft.

There is therefore not much scope for the planners to approve new centres if they follow the Drivers Jonas guidelines. Whether the boroughs will is not yet clear.

The Drivers Jonas report is circulating but has not yet been published, so the Birmingham debate on it has not really started. But it cannot be long delayed. As Drivers Jonas told the boroughs, the developers, landowners and retailers need clear planning guidance.

Company Notices

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa
Registration No 11/00007/06

NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER

PAYMENT OF COUPON NO. 78

With reference to the notice of declaration of dividend advertised in the Press on 11th March, 1987, the following information is published for holders of share warrants to bearer.
The dividend of 60.00 cents per share was declared in South African currency. South African non-resident shareholders' tax at 4.0908 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 55.9092 cents per share.
The dividend on bearer shares will be paid on or after 6th May, 1987 against surrender of coupon No. 78 detached from share warrants to bearer as under:—

(a) At the offices of the following Continental paying agents:

Banque Bruxelles Lambert 24 Avenue Marnix 1050 Brussels	L'Europeenne de Banque 21 Rue Laffitte 75428 Paris
	Generale de Banque 3 Montagne du Parc 1000 Brussels
Banque Internationale a Luxembourg 2 Boulevard Royal Luxembourg	Swiss Bank Corporation 1 Aeschenvorstadt 4002 Basle
Credit Suisse Paradeplatz 8 8021 Zurich	Union Bank of Switzerland Bahnhofstrasse 45 8021 Zurich

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX. Unless persons depositing coupons at such office, request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 29th April, 1987 at the United Kingdom currency equivalent of the rand currency value of their dividend on 30th March 1987; or
(ii) in respect of coupons lodged after 29th April, 1987 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 43.80 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	60.0000
Less: South African non-resident Shareholders' tax at 6.818%	4.0908
	55.9092
Less: U.K. income tax at 20.182% of the gross amount of the dividend of 60.0 cents	12.1092
	43.8000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
F. E. C. DEXTER

London Office:
40 Holborn Viaduct
London EC1P 1AJ
19th March, 1987.

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 20.182% instead of the basic rate of 27% represents an allowance of credit at the rate of 6.818%.

De Beers
De Beers Consolidated Mines Limited

REMY FINANCE B.V.
FRF 300.000.000 GUARANTEED
FLOATING RATE NOTES DUE 1993 WITH AN OPTION TO CONVERT THE FLOATING RATE INTO A 8 1/8 % FIXED RATE

For the three months, March 4, 1987 to June 3, 1987, the rate of interest has been fixed at 8,5% P.A.

The interest due on June 4, 1987 against coupon nr 2 will be FRF 217,22 and has been computed on the actual number of days elapsed (92) divided by 360.

THE PRINCIPAL PAYING AGENT,
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

THE COMMERCIAL BANK OF THE NEAR EAST PLC

NOTICE IS HEREBY GIVEN that the Sixty-fifth Annual General Meeting of this Company will be held at its Registered Office, Bankside House, 107-112, Leadenhall Street, London EC3A 4AE, on Tuesday, 14th April, 1987 at 11 a.m., for the following purposes:
1. To receive and adopt the Directors' Report and Accounts for the year ended 31st December, 1986.
2. To declare a dividend.
3. To re-elect Mr. D. J. Newton as a Director.
4. To re-appoint the retiring Auditors and to authorise the Directors to fix the remuneration of the Auditors for the current financial year.
5. As special business to re-elect Mr. P. A. Vafiadachi and Mr. H. L. Constant as Directors, special notice having been given to the Company pursuant to Sections 293 and 379 of the Companies Act 1985 of the intention to propose the following resolutions as Ordinary Resolutions:
(a) "THAT Mr. P. A. Vafiadachi, who has attained the age of 93 years, be and he is hereby re-elected a Director of the Company."
(b) "THAT Mr. H. L. Constant, who has attained the age of 70 years, be and he is hereby re-elected a Director of the Company."
6. To transact the business of an Ordinary General Meeting.

By Order of the Board.
N. M. PEGGIE
Secretary.

Bankside House,
107-112, Leadenhall Street,
London EC3A 4AE.
3rd March, 1987.

Notes
1. Any member of the Company entitled to attend and vote at the above Meeting may appoint another person who need not be a member of the Company as their proxy to attend and vote instead of them.
2. There are no contracts of service which are required to be made available for inspection at the Meeting.

Explanatory note to Special Business Resolutions
Resolution 5 (a) relates to Mr. P. A. Vafiadachi who retires by rotation in accordance with the Articles of Association of the Company and offers himself for re-election.
Resolution 5 (b) relates to Mr. H. L. Constant who has attained the age of 70 years since the last Annual General Meeting. Therefore, pursuant to Section 293 of the Companies Act 1985, Mr. Constant is required to resign as a Director at the next Annual General Meeting but offers himself for re-election.
Special notice of the intention to propose the re-election of Mr. Vafiadachi and Mr Constant as Directors notwithstanding that they have attained the age of 70 years have been received by the Company.

Legal Notices

KEROSENE DELIVERIES (TOTTENHAM) LIMITED
(Trading as Bowen Fuels Service)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at Shelley House, 3 Noble Street, London EC2V 7DQ, on Monday 30 March 1987 at 11 am for the purposes of having laid before it the report prepared by the joint administrative receivers in accordance with the said section and, if thought fit, appointing a committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claims with us at Shelley House, 3 Noble Street, London EC2V 7DQ, no later than 12 noon on Friday 27 March 1987. Proxies intended to be used at the meeting must also be lodged with us by that time.

Dated this 13th day of March 1987.
C. J. HUGHES,
Joint Administrative Receiver.

Art Galleries

RICHARD GREEN, 44, Dover Street, W1. 01-493 3939. WATERCOLOURS BY MYLES BIRKET FOSTER. Mon-Fri 10-6; Sats 10-12.00.

LOUIS TURPIN. New Paintings till 9 April at Bohun Gallery, Station Road, Henley, Oxon. Tel: 0491 576228.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

Public Notices

The City of Aberdeen District Council

LEISURE CENTRE
at Queen's Links, Aberdeen

Proposals for Funding, Development & Management

Planning permission has been obtained by the Council for the construction of a Leisure Centre at Queen's Links, Aberdeen. Construction of the Centre is to be undertaken in two phases. Phase I is to incorporate a leisure pool and dry sports complex and Phase II will provide an ice-rink and ancillary accommodation. A contract has just been awarded for the construction of Phase I which is due for completion in Autumn 1988.

A provisional grant of an entertainment licence under Section 26(2) of the Licensing (Scotland) Act 1976 exists in respect of the Centre.

The Council is now seeking the submission of proposals for the development and funding of Phase II and/or the management of the Centre. A Brief containing the approved plans for Phases I and II together with fuller details of the basis on which proposals are invited are available from the undersigned with whom proposals must be lodged on or before 30th April, 1987.

JAMUS J. K. SMITH,
Director of Law and Administration.

Town House,
Aberdeen
12th March, 1987

ROLINCO

ROLINCO N.V.
EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

ROBECO

ROBECO N.V.
ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dated this 20th day of March 1987

RORENTO

RORENTO N.V.
ANNUAL INFORMATIVE MEETING FOR SHAREHOLDERS

Dated this 20th day of March 1987

NOTICE OF PREPAYMENT
ISTITUTO PER LO SVILUPPO ECONOMICO DELL'ITALIA MERIDIONALE
ISVEIMER
US$ 75,000,000
Floating Rate Notes due 1987

In accordance with paragraph "Redemption and Purchase" of the description of the Notes, notice is hereby given that Isveimer will prepay at par all of the above-mentioned Notes on the Interest Payment Date falling on April 21, 1987.
Payment of interest due on April 21, 1987 (and reimbursement of principal) will be made in accordance with the description of the Notes.
Interest will cease to accrue on Notes as from April 21, 1987.
Luxembourg, March 20, 1987.
THE FISCAL AGENT
KREDIETBANK S.A. Luxembourgeoise

THE COMMERCIAL BANK OF THE NEAR EAST PLC

NOTICE IS HEREBY GIVEN that the Share TRANSFER BOOKS of the above Company will be CLOSED from the 2nd April to the 9th April, 1987, both days inclusive.

By Order of the Board.
N. M. PEGGIE,
Secretary.

Bankside House,
107-112, Leadenhall Street,
London EC3A 4AE.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
20	21	22	23	24	25	26

Exhibitions

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and auto-portraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

Gerard Larguier: the artist celebrates his American inspiration by his choice of themes – American football among others – and by his style – hyper-realism, tempered here by a play of transparencies expressing movement. Jean-Pierre Joubert Gallery, 38 Avenue Matignon. Ends Apr 10 (4562 0715).

Daniel Buren. Having acquired fame with his controversial columns in the Palais Royal gardens, Buren, obsessed with vertical stripes, has taken over the exhibition spaces of the Musée des Arts Décoratifs. The stripes cover everything from a specially erected staircase to china plates and their dressers, from walls to television screens. The colour of the stripes may vary, but the inspiration does not – and the initial surprise turns quickly into a long drawn-out tedium. Musée des Arts Décoratifs, 107 rue de Rivoli (4260 3214). Ends Apr 28.

LONDON

The Royal Academy: British Art in the 20th Century is a major exhibition full of interest yet to some extent misleading. The mistake was to try and give a comprehensive overview of "The Modern Movement" – the show's subtitle. But the subject is just too big and the gaps are obvious. Concentrate on what is there, rather than what is not, and certain strengths in British Art in this century do manifest themselves. The Abstract tradition and its development deserves a show of its own, but here it is the figurative tradition, quietly expressionist, romantic and always idiosyncratic that makes its point. The British do not fit easily into schools and pressure groups of lasting or particular influence, but individuals bear comparison with the best of their foreign peers. From Sickert and Paul Nash, Gwen John, Matthew Smith and Stanley Spencer, to Bacon, Freud and Auerbach, there is much in which to take real pride. Sponsored by BP, the show ends on April 5 and moves to Stuttgart.

WEST GERMANY

Munich, Lenbachhaus, Luisenstrasse 33: Franz von Lenbach (1836-1904). The painter had himself built a Palast in the Italian renaissance style, finished in 1891. His widow then sold it to Munich in 1925. To mark the 150 anniversary of his birth, the Lenbach Villa will be redecorated with the original furniture and paintings of the artist. The exhibition displays 180 pictures and paintings in several rooms. Lenbach, celebrated above all for his portraits, studied at the academy for arts in Munich under Karl von Piloty. Ends March 29.

Bonn, Städtisches Kunstmuseum, Rathausgasse 7: A retrospective by August Macke (1887-1914). Born in Meschede, Macke studied in Düsseldorf and Berlin under Lovis Corinth. He did much of his work in Bonn, and was responsible for a new art form Rheinische Expressionisten, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Moillet, to Tunis became a landmark in art history. In the same year he was sent to the front in France, were he died, aged 27 in action in Champagne, Ends May.

ITALY

Venice: Palazzo Grassi: 'The arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertumno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links. – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

Turin: Circolo degli Artisti (Palazzo Graneri): One hundred drawings by Rodin from the last years of his life, almost all depicting the female form, in various sapphic, narcissistic and every day poses. The drawings have been chosen by Claudie Judrin, the curator of the Rodin Museum in Paris, from its collection of almost 7,000 graphic works by Rodin. Ends March 29.

Rome, Studio Massimi (Piazza Massimi, 1/A): Les Cafés Littéraires – an exhibition inspired by nostalgia for those 18th century havens of civilised living (such as Florian's in Venice, Il Greco in Rome), where the idle classes gossiped, played chess and drank coffee. Included is the latest example of the genre, the privilege, opened in 1980 in Paris, together with quirky and imaginative designs for possible future interiors. Ends Mar 31.

Rome, Villa Medici: Sartre and Art. The pictures Jean-Paul Sartre would have chosen for his own ideal museum – and a very odd selection they are. Three atypical Tintorettos (seen by Sartre on his first visit to Italy and Simone de Beauvoir in 1933), together with his comments, and works by Alessandro Calder, Giacometti, David Hare and others. The exhibition includes numerous portraits and photographs of Sartre – both alone and with de Beauvoir on visits to China, Cuba etc. On the whole the works Sartre would have chosen for his museum are depressingly close to his political thought and tell us nothing new about him. Ends Apr 15.

Milan, Pinacoteca di Brera: Impressionist Paintings from American Museums – 47 works from the splendid collections held by the Metropolitan in New York and the National Gallery in Washington. Includes works by Boudin, Cézanne, Corot, Degas, Van Gogh, Manet, Pissarro, Renoir and many others. Ends May 10.

SPAIN

Madrid, Ben Nicholson (1894-1982): English abstract painter who kept to his idioms with remarkable constancy. His paintings and reliefs are geometrically inspired and derive from the austerer forms of cubism. His abstracts remained unvarying until well after the Second World War, producing monochrome reliefs that relied for their effect on the interplay of finely related surfaces. Sixty-six works on loan by the Tate Gallery, the Moma and Guggenheim, the Kunsthaus and Phillips collection, mostly from 1919-1961. Fundacion Juan March, Castelló 77. Ends March 29.

Madrid, Jasper Johns retrospective. Born in 1930, this North American artist, with Rauschenberg, was one of the originators of pop art influencing the course of art for many decades, 100 pieces: paintings, collages, assemblages of objects, plastic, metal and bronze can be seen. Centro de Arte Reina Sofia Santa Isabel 52. Ends April 5.

Madrid, Gilbert and George. British Artists exhibit spectacular murals defined as living sculptures demonstrating daily life. Palacio de Velazquez, Retiro Park. Ends Mar 29.

Madrid, Agustin Ibarrola. Retrospective of Basque artists work, totals 1,000 exhibits: drawings, engravings, oil paintings, cardboards, woodwork of 1950–87. A mural weighting 20 tons and 200 railway tracks carefully and worked on show at the Retiro Park, Palacio de Cristal. Ends April.

Madrid. Diego Rivera. A retrospective 20th century top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 100 oil and tempera paintings, 110 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

NETHERLANDS

Amsterdam, Nieuwe Kerk: Thursday sees the opening of the annual Art and Antiques Fair, this year combined with a special exhibition of Treasures from the Nieuwe Kerk. Ends Apr 5.

NEW YORK

IBM Gallery: This free exhibition space brings to New York shows curated elsewhere, like the present offering of Pacific island masks and statues from the Tribal Art Centre in Basel and Mexican textiles from 85 tribal weavers. Ends April 25. 57th & Madison.

Museum of Modern Art: The first major retrospective in two decades of Paul Klee includes 250 paintings and watercolours and 50 drawings and prints, some by arrangement with the Klee Foundation in Bern which has rarely lent them (including large-format paintings from his later life). Ends May 5.

Pierpont Morgan Library: Young Queen Victoria, an exhibit of autograph manuscripts, letters, drawings and other memoribilia commemorate the 150th anniversary of the queen's accession to the throne. Ends April 12.

WASHINGTON

National Gallery (West Bldg): The Age of Sultan Suleyman the Magnificent explores the height of art and technical development during the Ottoman Empire in 210 16th century manuscripts, silver, gems, kaftans and ceramics. Ends May 17.

CHICAGO

Art Institute: A retrospective of more than 150 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, along with landscapes and informal drawings. Ends April 19.

TOKYO

Handscrolls and Picture Books from the Spencer Collection of New York Public Library. This exhibition, which has toured the US, consists of 52 scrolls and 32 illustrated books – all Japanese subjects. Scrolls are complete, and the most interesting include 8th-13th century calligraphic sutras, scenes from the 11th century Tale of Genji, and of everyday life in the Edo period (17th-19th century). Many have not been seen before. Apart from the beauty and miniaturisation of handscrolls (known as e-maki). They are especially valuable for the insights they offer into social history. The medium of the long hand-held scroll with its precise drawing executed watercolour permits whole antropological scenes impossible in the larger screens and paintings. Suntory Museum of Art, Akasaka, within strolling distance of New Otani and Akasaka Prince hotels and offering splendid views over the city. Ends Mar 22. Closed Mondays.

Music

ITALY

Rome, Auditorium in via Della Conciliazione: Penderecki conducting Shostakovich's symphony no. 14 and his own te deum (Mon, Tue). (654 1044).

Rome, Teatro Olimpico (Piazza Gentile da Fabriano): Alexandre Lonquich (piano) and Pietro Borgonovo (Oboe). Schumann (Wed). (393 304).

Rome, Oratorio del Gonfalone (Via del Gonfalone 32A): Fabio Biondi (violin), Maurizio Naddeo (cello) and Rinaldo Alessandrini (piano). Trios by Haydn and Mozart (Thur). (68 75 952).

Rome, Teatro Ghione (Via delle Fornaci 37): Mezzo-soprano Jean McPhail accompanied by Constance Channon-Douglass. Mozart, Wagner, Liszt and Donizetti (Tue); Giovanna Manci (soprano). Donizetti, Mercadante, Tosti and Bellini accompanied by Christopher Axworthy (Wed); piano recital by Gyorgy Sandor. Beethoven, Schumann, Bartok, Debussy and Liszt. (637 2294). (Thur).

LONDON

English Chamber Orchestra directed by Josef Suk, viola, with Ernst Kovacic, violin. Mozart and Dvořák. Barbican Hall (Tue). (638 8891).

Academy of St. Martin-in-the-Fields conducted by Sir Neville Marriner with Heinrich Schiff, cello. Vaughan-Williams, Schumann, Fauré and Beethoven. Royal Festival Hall (Tue). (928 3191).

Gervase de Peyer, clarinet with the Amadeus Quartet and Gwenneth Pryor, piano, Gyorgy Pauk, violin and Peter Frankl, piano. Brahms and Bartok. Queen Elizabeth Hall (Tue). (928 3191).

BBC Symphony Orchestra conducted by Sir John Pritchard with Ralph Kirschbaum, cello. Walton, David Matthews and Strauss. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra conducted by James Judd with Howard Shelley, piano. Rossini, Rachmaninov and Beethoven. Barbican Hall (Wed).

London Symphony Orchestra and Chorus conducted by Richard Hickox. Stravinsky and Beethoven. Barbican Hall (Thur).

Royal Philharmonic Orchestra conducted by Sir Yehudi Menuhin with Arve Tellefsen, violin and Hakan Hardenberger, trumpet. Grieg, Mozart, Haydn and Mendelssohn. Royal Festival Hall (Thur).

English Chamber Orchestra conducted by Carl Davis And Andrzej Panufnik with Robert Thompson, bassoon. Bartok, Panufnik, David Matthews and Tippett. Queen Elizabeth Hall (Thur).

PARIS

Ewa Podles, mezzo-soprano. Jerzy Marchwinski, piano: Haydn, Chopin, Britten, Tchaikovsky (Mon). Théâtre de l'Athenée (4742 6727).

Udo Reinemann, baritone, Noel Lee, piano: Brahms (Tue). Salle Gaveau (4563 2030).

Ensemble Orchestral de Paris conducted by Wilfried Boettcher, Rene Duchable, piano: Stravinsky, Weber, Schumann, Schubert (Tue). Salle Pleyel (4563 8873).

Orchestre Français d'Oratoire conducted by Jean-Pierre Lore, Roland Delassus choir conducted by H. Dasse: Saint-Saens, Bizet. (Tue). Saint-Roch Church (4261 9326).

Orchestre de Paris – chamber music: Baliff, Britten, Francaix (Tue 6.15pm). Salle Pleyel (4563 0740).

Orchestre de Paris conducted by Pierre Boulez: Messiaen, Stravinsky (Wed, Thur). Salle Pleyel (4563 0740).

Mario Reinhard, piano, Isabelle Decleve, piano: J.C. Bach, Mozart, Brahms (Thur). Salle Gaveau (4563 2030).

NETHERLANDS

Amsterdam, Concertgebouw: Piano recital by Frédéric Meinders: Schubert, Chopin, Schumann, Schumann/Liszt, Liszt (Mon). Ken-Ichiro Kobayashi conducting the Netherlands Philharmonic, with Emmy Verhey, violin, and Janos Starker, cello: Rossini, Brahms, Dvořák (Tue); The Concertgebouw Orchestra conducted by Hartmut Haenchen, with Andrei Gavrilov, piano: Honegger, Ravel, Schumann (Wed, Thur). Recital Hall: Estella Olevsky, piano: Soler, Scarlatti, Mozart, Chopin, Ravel, Ginastera (Mon). A multi-media evening centred around a rare integral performance of Bartok's Mikrokosmos by Gary Goldschneider, piano, with Corine Bender, Petra van Oord and Laura Stavinoha, pianos (Wed); Pieter Wispelwey, cello, and Frank Mol, piano: Beethoven, Britten, Carter, Schumann (Thur). (71 83 45).

Rotterdam, Doelen. Heinz Friesen conducting the Netherlands Philharmonic chamber ensemble, with Kees Hülsmann, violin: Mozart, Hindemith, Grieg (Mon). Easter concert with massed choirs and soloists conducted by Pieter Stolk (Wed). Recital Hall: The Caecilia Consort with Marieke Blankestijn, piano: Vivaldi, Mozart, Bach, Bartok (Tue). Piano recital by Piet Veenstra: Haydn, Schubert, Chopin (Thur). (414 29 11).

Utrecht, Vredenburg. Ken-Ichiro Kobayashi conducting the Netherlands Philharmonic, with Emmy Verhey, violin, and Janos Starker, cello: Rossini, Brahms, Dvořák (Wed). The Hague Philharmonic under Hans Vonk, with Vladimir Mendelssohn, viola, vocalists and choir: Vellones, Séverac, Bax, Delius, Vaughan Williams, Roussel (Thur). Recital Hall: The Melos Quartet: Cherubini, Janacek, Brahms (Tue). Stéphane Vergues with chanson settings of poems by Baudelaire or Verlaine (Wed). (31 45 44).

Scheveningen, Circus Theatre. International cello concours, preliminary rounds from Mon (55 88 00).

Groningen, Oosterpoort. The Leonid Hambro Piano Quartet: Bernstein, Mozart, Fauré, Dukas, Anderson, Gershwin, Shostakovich (Tue). (13 10 44). Maastricht, Schouwburg. The Amsterdam Bach Soloists: Bach (Tue). (21 33 00).

TOKYO

Jean-Yves Thibaudet, piano. All-Chopin programme. Tokyo Bunka Kaikan Recital Hall (Mon). (545 8348, 9348).

Yehudi Menuhin and Camerata Lysy-Gstaad ensemble. Vivaldi, Mozart, Martin, Bach, Paginini, Puccini. Suntory Hall (Tue). (373 3388; 237 9990).

Daniel Barenboim, piano Complete Cycle of Beethoven Piano Sonatas. Op. 27-1, 10-3, 90, 53 (Mon); Op. 28, 2-3, 78, 109 (Wed). Suntory Hall (723 2356).

The Swedish Radio Symphony Orchestra, Mahler, Sibelius. Sponsored by Toshiba. Suntory Hall (Thur). (403 8011, 986 6060).

Opera and Ballet

TOKYO

Rigoletto, Tokyo Opera Institute: The final event in Tokyo's all-Japanese spring festival of Western Arts. Cast includes Minya Yamamura, Kenji Mizuho, Hiromi Hayashi, Takako Mizuno. Tokyo Symphony Orchestra conducted by Volker Renicke. Tokyo Bunka Kaikan. (Tue, Wed). (389 7020).

La Tragédie de Carmen: Peter Brook's renowned original production. The Peter Brook Company directed by Brook himself has been chosen to celebrate the opening of Tokyo's latest theatre, the Ginza Saison. Significant, too, is the extended run till end April. Ginza Saison Theatre (535 0555; 980 6666).

PARIS

Bellini's I Puritani: The Welsh National Opera's production sets the romantic action against a background of fortifications, and towers which evoke the feeling of danger, thus making Elvira's folly credible. Opéra Comique (42960611).

Don Giovanni conducted by Sylvain Cambreling in Brussels National Opera production with Jose van Dam, Ashley Putnam and Stuart Burrows. TMP-Châtelet. (423 300)

La Compagnie la Lisanne choreography by Georges Appaix: antiquities after Homer's Ulysses, Centre Georges Pompidou (4274 4219).

Ballet Moiseiev celebrates its 50th anniversary with a suite of traditional Russian dances, with Partisan Fighters, A Day on a Boat and a Winter Celebration at the Palais des Congres (4742 0744).

Don Carlo alternates with Verdi's Messa da Requiem conducted by Georges Prêtre at the Paris Opéra (4266 5022).

Continued on Page 23

THE ARTS

Cinema/Nigel Andrews

A lunatic charm in the life of LA

Always directed by Henry Jaglom
Come and See directed by Elem Klimov
The Fourth Protocol directed by John Mackenzie
Working Girls directed by Lizzie Borden

Is life in Lotus-land worth the free lotus? You only have to spend a week in Los Angeles to know that Nature pours her bounty gratis over everyone: sun, health, beauty, sea, palm trees. But the result of such ease and largesse is to produce a race of people who are today's closest equivalent to Chekhov's tragi-comic self-obsessives. Fuelled by indolence, they spend much of their lives contemplating their navels. And once you contemplate your navel, you start to get dissatisfied with your navel. Then you start contemplating other people's navels. Then you realise their navels might be better than yours and you start to get jealous or lecherous or aggressive. . . .

Fairly soon Paradise on Earth, West Coast division, has turned into an earthly community like any other, beset by stress, aggravation and neurosis.

In Henry Jaglom's splendid autobiographical comedy *Always*, it is early July in LA. Jaglom (played by Jaglom) is meeting his two-years-separated wife (played by his real ex-wife Patrice Townsend) to hammer out a divorce contract and eat a celebration "divorce dinner." *He has prepared this* himself. It consists of a fish to which tragic things seem to have happened and it makes his wife ill. Soon she is prostrate in their former marriage bed in his poolside home. Then the house starts to fill up with weekend guests come to celebrate Independence Day.

What *follows* is a Chekhov comedy over which some Woody Allen Tabasco sauce has been shaken. Mr and Mrs Jaglom have no real idea whether they want a divorce or not. The visiting lawyer watches them canoodling across the table at one point and says, "No, I'm not gonna do it!" (But he carries on.) And the couples who swim into Jaglom's home and pool—*friends*, sisters, in-laws—seem one moment like a pristine advertisement for married bliss, the next like an awful warning about the horrors of ever signing a registry book.

Melissa Leo, Henry Jaglom and Patrice Townsend in "Always"

The movie is as invertebrate as the filleted fish that causes disaster. But its structurelessness is its charm. Anything can *happen and does. Fads are* swapped, neuroses run riot, the dialogue is in scat non-sequiturs. In one scene a friend's wife is in the bath covering herself with grated chocolate. "It simulates the same state as being in love" she explains, having read an article on the subject. "Why don't you just eat it?" asks the lady guest who has stumbled in. "And get *fat*?"

Two hours in the company of *these people sounds* like a recipe for a terminal migraine. But Jaglom, whose previous off-the-wall *oeuvres have* included *Sitting Ducks* and *Can She Bake A Cherry Pie?*, makes the film soufflé-light, unpredictable and full of lunatic charm. As actor, he also grabs and holds the centre stage: a bemused, unflappable host whose stream of never-say-die bonhomie suggests a General Custer cracking jokes during the last stand. *Always* is about the Beautiful People making the very best of the fact that life is not always beautiful.

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A far cry from Elem Klimov's *Come And See, which is an epic* 2½-hour tramp through the fires of the Second World War from the *Soviet director of Agony.* A young soldier (Alexei Kravchenko), separated from his platoon, wanders through the nightmare of battle in Nazi-overrun Byelorussia. He witnesses carnage, mutilation, the slaughter of his own *family*, and the burning of whole villages and their people.

As in *Agony*, Klimov's film about Rasputin, both screen and soundtrack are maniacally alive with detail, and the inventory *of cruelty extends from man to* nature. Our ears are besieged with the buzzing of flies, the harsh cries of birds or even the inner discords of shell-shocked tinnitus. And our eyes take in the full dynamic range of pain, from panoramas of destruction to giant close-ups of characters who peer pop-eyed at the camera like Diane Arbus portraits.

Sense, however, does not match spectacle. The film is flamboyantly staged but self-defeatingly overstated. The camera surges like a creature possessed across landscapes heaving with suffering. (Its mobility across swamps or through dense forests is miraculous: it's as if Klimov had a supernatural cameraman.) But as one enormity is piled on another, and the boy stares out at us with his unchanging look of traumatised stupor, the film *seems to me to miss the point* of Nazi evil: that it was the cold, relentless, businesslike methodi*cality of its fanaticism* rather than any crudely operatic glee that made the six-year stamina *of its war effort so horrific. Come And See* is a film in which less would have been far, far more.

*

Still, better this than *The Fourth Protocol*. Here we have the Cold War Frederick Forsyth-*style. Deep in snowy Moscow,* the KGB chief is hatching a plot to destabilise British confidence in American nuclear missile bases by smuggling an atom bomb into one of them and exploding it.

This would certainly destabilise confidence. But wait. The rest of the top military people in Russia, including Ray McAnally and Ned Beatty, get wind of this plan and think it is dangerously loony. Can they stop it and cover it up? And can British secret service agent Michael Caine, who has also got wind of it, stop it and expose it?

Everyone seems to agree that it should be stopped. Unfortu*nately it takes two hours of plot* contrivances, grim expressions and toe-stubbing dialogue ("Yevgeny Sergeyevitch—what the hell is going on?") to do so. Director John Mackenzie *(The Long Good Friday, The Honorary Consul)* cannot pump life into the spy thriller clichés and he finds Mr Caine in one of his more zombified moods, the hooded eyes and barrow-boy accent on auto-pilot. Mr Caine is in turn out-zombied by Pierce Brosnan *(aka* Remington Steele), superhumanly inexpressive as the Soviet agent sent to assemble what the press blurb calls "the jigsaw of destruction."

*

"You can handle any man so long as you know what his sexual trip is" . . . "Joseph is a light dominant session" . . . "I've always been a whore but never a groupie."

In Lizzie Borden's grimly *funny* documentary - style feature, we are a fly on the wall of an American brothel: except that the place is so spotless you would not find any flies there. Do not expect torrid visits to the bedrooms or scenes of carnal transport. Most of the film takes place in the lounge-cum-foyer where the girls sit around between customers chatting. And it is the chat that is irresistible. Just as there is honour among thieves, there are creeds of fidelity espoused by prostitutes: "You can't trust anyone," one girl says of a client, "they go to other houses, other women." And at the centre there is the splendidly *ghastly portrait of the madame*: a woman with a chintzy, genteel charm for all her clients and a will of iron for her employees. Madame Cyn, move over.

Six Characters in Search of an Author/Olivier

Michael Coveney

Six Characters in Search of an Author marks the birth of yet another new National Theatre group. One imagines these groups turning up on the *doorstep rather like Pirandello's* mysteriously fraught family, latching on to the nearest director—in this case, Michael Rudman — and usurping the repertoire for a brief stay—in this case, three plays—before returning to the real world across Waterloo Bridge or beyond the Elephant.

This play has been a seminal influence on the century's drama and if that is not enough to kill off its appeal to a contemporary audience, the NT threatens to complete the job by cluttering the Olivier stage with a confusing old-fashioned design by Carl Toms, peopling it with a company of English rep actors rehearsing *Hamlet* (instead of another Pirandello) and peppering the new version by Nicholas Wright (from a literal translation by Gwenda Pandolfi who is given bottom billing in the programme) with tired cracks about such foreign theatrical customs as improvisation, dispensing with the prompter, and character motivation.

This is all very well up to a point, but there is nothing elegant or breathtakingly *theatrical* about the presentation. The first Paris production introduced the Father, mourn*ing Mother*, two grown children and two smaller ones in a lift that dropped spectacularly into *the rehearsal. The big entrance* here is that of Robin Bailey as the Director, a suave, aloof figure in spats and astrakhan collared coat who brings real thunder claps to obliterate the drum rolls. The six characters materialise in an ill-lit huddle to be told by "Hamlet" that they should seek out an experimental address — "We do *proper* plays."

Although the setting is Italy in the year of the play, 1921, we surely have the right to expect themes of jostling expectations of reality and illusion to be treated in a theatrical language that has not only absorbed Sartre, Beckett, Anouilh, Truffaut and, come to that, Stoppard, but also in a style that takes account of new *technology*. The Olivier is a large, exciting arena; Mr Rudman's fastidiously cramping production denies the grand architectural sweep of the venue as well as the play's sinister, flesh-tingling potential.

Mr Wright's "version" is not fussy—and rightly so—about introducing explicit language in the re-run of the Father's encounter with his Stepdaughter in a brothel. This is one of two "real" scenes that the Director allows to be enacted. For the second, an Italian classical garden with an ornate stone fountain and an array of colourful bushes and trees are flown in before the tragic finale, here divested of all ambiguity and leaving *blood on the* impresario's fingers.

The *best critical* guideline I've come across is Raymond Williams's hint that *Six Characters is not about artifice and* reality but about the conflict between two *levels* of artifice. *Passion* intrudes all the time, most notably when Barbara Jefford's stoically bereaved and eloquently expressionless Mother emits a piercing enraged scream at the enactment of the Stepdaughter's lascivious incestuous overtures. But we never really understand the social background of these characters, why Richard Pasco's schoolmasterish *raisonneur* in black corduroy jacket should have encouraged his low-born wife to have an affair, and the three children, by a provincial clerk.

The other great "lost" moment here is the conjuring of the brothel madam, dowdily impersonated by Di Langford as a cardiganed forebear of Michael Frayn's Dottie in *Noises Off*. Madame Pace mat*erialises out of even thinner air* than the six characters and is the final body-blow to the play's logical "reality."

If, as Desmond MacCarthy once said, *Six Characters*, the bohemian shocker of the 1920s, exposed the inevitable limitations of modern drama and finally removed, for T. S. Eliot, all sense of certainty in what theatre might achieve, the National discharges a lesser duty to the repertoire by merely taming the piece as a palatable backstage drama with a curiously melodramatic coda.

Lesley Sands hits the required tone on reflecting that theatre died when actors began to learn lines and *Lesley* Sharp makes an auspicious NT main house debut as the vengeful Stepdaughter, who urgently wishes to rationalise the pain of experience through the agony of art.

Alastair Muir

Lesley Sharp and Richard Pasco

Pictures of creative genius prove genial company

An 18th-century portrait can tell you a great deal about the sitter. It may even suggest what he or she looked like. Reynolds, President of the Royal Academy, was never averse to sacrificing likeness to endow *his subjects* with the dignity, grace or genius commensurate with their public personas. How artists' one specific attribute, genius, is explored in an intriguing exhibition of paintings and prints organised by Nottingham University Art Gallery, at the Scottish National Portrait Gallery, Edinburgh, until April 12. "Genial Company" also reveals how, unlike today, the nation's great philosophers, scientists, poets and painters were revered.

James Northcote's *Worthies of England* opens the exhibition. His heroes, painted as a series of medallions on a chest, range from King Alfred and the Black Prince to Shakespeare, Bacon, Milton, Locke and Newton, ending up with his master and idol Reynolds. The picture is unique in being the only painted rather than poetic or sculpted gathering of the great and good.

Reynolds appropriated the language of religious art for his Rubensian incarnation of the singer Mrs Billington as St Cecilia. He based his most famous actress-portrait, *Mrs Siddons as the Tragic Muse* on figures from Michelangelo's Sistine Ceiling. James Barry described it, as the artist intended, as "something more than a portrait." By borrowing *from* the Old Masters and making Classical allusions, Reynolds not only ennobled his sitters but, by painting *ideas*, *closed* the gap between humble portraiture, low in the painterly hierarchy, and the more worthy subjects of history painting.

The Muse as *inspiration* to the creative genius provides the subject for two of the most delightful pictures on *show*. Angelica Kauffmann, in a vast canvas from Nostell Priory, paints herself hesitating between the Arts of Music and Painting, represented by two allegorical figures. Painting points up to the light-filled temple of glory in the distance. Hogarth's treatment is wittier. For his portrait *David Garrick and his Wife* he paints Mrs Garrick surruptitiously sneaking up behind her seated husband to playfully steal *his* pen—or is she really his Muse guiding his thoughts?

Widespread disapproval in literary circles of the use of pagan allegory in painting and poetry (portraits of women excepted) may partly explain Hogarth's covert *symbolism*. As an advocate of modern moral and native subjects, he roundly attacks his two bug-bears, his artistic pretension and imported fashion, in *The Enraged Musician* (an Italian violinist).

Hogarth's *Self-Portrait Painting the Comic Muse is* one of a number of painted expressions of an artist or sitter's theories. Angelica Kauffmann's Rembrandtesque portrait of Reynolds is the most complete. The painter, known to be deaf, holds his ear, apparently listening to *the adjacent* bust of his hero Michelangelo, and resting on works by Goldsmith, Johnson and Burke. *Beside him his canvas* is untouched. The artist's industry, he believed, was of the mind, not the *hands*.

Francis Hayman's loosely painted self-portrait at the easel presents a contrasting view of painterly genius. In*formal, nonchalant, the artist* exudes the air of one who finds it all so easy. Reynolds's tech*niques and study* are not for him. This "*sweet disorder*" of dress — no wig, open collar and cuffs — was first reserved for literary sitters and later artists.

To some extent artists were basking in reflected glory when painting contemporary heroes, but painters, actors and writers were often friends. In another category of genial portraiture the sitters are projected as the genial company and good conversationalists they must have been. We see the actors Charles Lee Lewes, Henry Woodward and David Garrick in rapport with their audiences, almost *leaning out of their frames* towards us. Allan Ramsay's frontal, direct portrait of Hume *alludes to the philosopher's* preferred method of communication, dialogue. Ramsay immortalises Rousseau with a hand on his heart.

Hume's head, in the centre of the canvas, is lit by the clear, strong light of "enlighten*ment." In contrast, Rousseau* is illuminated by a soft, sanctifying glow. Light is used in most of *the* portraits to suggest inspiration. In James Barry's portrait of Baretti, the Italian lexicographer's book is the light source — in Cotes's portrait of Sandby it is Nature.

Depicting a sitter in profile, as an antique medal or bas-*relief, was one of the devices* most widely used to pay tribute to genius. Alexander Pope, draped, wigless and ivy-crowned, is thus immortalised by Kneller, while Blake's tempera panels of poets are painted as if hewn from stone.

Belief in the idea of divinely — or satanically — inspired genius, anathema to Reynolds, returns to fashion at the end of the century with the Roman*tics. The heightened* awareness of creation or its evolution from brooding and anger is depicted *in a final gathering. Here* are the most informed, compelling and penetrating portraits in the show — a series of demented chalk self-portraits by Fuseli, and ironic quizzical self-portraits by Richardson and Romney. Gainsborough uncomfortably distorts physiognomy in *John Joshua Kirby;* Mortimer transforms his *Poet*, loosely based on the "Chandos" portrait of Shakespeare—and Barry, himself—into a frenzied demon.

From an idealised conceit the portrayal of creative genius has become manic soul-searching. *Desmond Shawe-Taylor's* exhibition and excellent catalogue (sponsored by Christie's, and *Marks and Spencer) provide an* imaginative and novel interpretation of one theme in 18th-century *portraiture*.

Susan Moore

BBC Symphony/Festival Hall

David Murray

Another out-of-the-way programme in high colours conducted by John Pritchard on Wednesday: like the one two weeks ago, not the sort of stuff one immediately connects with Pritchard, but done with relish and real sympathy.

Since the BBC Singers and Symphony Chorus were needed for Szymanowski later, it was only fair to give them something in the first half. They were in vital form, and while Dvorák's not-very-clever *Te Deum* lasted, they gave it more than a semblance of life, keeping the cheap pun on the title at bay by their clean, exciting attack. Anne Evans, full-voiced and warm, was just the soloist the work needs, dryly but determinedly abetted by David Wilson-Johnson.

Within the first few bars of Sibelius's 4th Symphony, however, the *Te Deum* went straight out of mind. The sombre, reedy colours of the long Sibelian lines were exact and tellingly balanced (with distinguished cello solos by Ferenc Szucs). Pritchard's steady concentration was enough to make the music hold, without resort to theatrical emphases—the brass utterances in the Quasi adagio were as gravely measured as the ones in *Parsifal* which they *recall. In fact, I have not previously been made so* aware of how much *Parsifal* stands behind this symphony; not, certainly, a fault, for its own brooding character is bleakly original.

If there was any small misjudgment in Pritchard's reading, it was his mild tempo for the "scherzo." Sibelius's Allegro molto vivace proposes a sharper, brittler contrast with the rest, and allows a more dramatic decline into the subsequent gloom. Little was lost, though — the unhopeful calm of the last pages made its mark.

The special exhibit of the concert was Szymanowski's choral "ballet - pantomime" *Harnasie*, a riotous whirl of folk-colour which is in its own terms so impracticable that it must wait upon rare revivals like this one. Especially in the sung music, Szymanowski deals with *his high Tatra material* most faithfully — the glittering orchestral trappings are not "symphonic" at *all*, at most only choreographic. But the kind of folk-dance troupe that *Harnasie* requires is precisely *not* one that will have such an orchestra at its disposal; hence the relegation of the piece to rare concerts. It was tremendous fun, and the exuberant chorus was matched by Graham Clark's lusty tenor solos.

Arts Week

Continued from Page 22

LONDON

Royal Opera, Covent Garden: In the revival of Jean-Louis Martinoty's wildy over-produced Ariadne auf Naxos, Colin Davis conducts and Gundula Janowitz takes over the title role. Edita Gruberova's irresistible Zerbinetta is the main reason *for a visit (240 1066).*

English National Opera, Coliseum: Philip Glass's "minimal opera" Akhnaten, a flat, empty piece, is given a very busy production by David Freeman and some interesting (as far as the work allows) performances by Christopher Robson, Sally Burgess, and Marie Angel. Jonathan Miller's updated Tosca continues in repertory, with Phyllis Cannan in the title role; another and much more successful Miller updating, the non-Japanese Mikado, now has Susan Bullock, Ann Howard, and Dennis Wicks alongside Eric Idle's Ko-Ko (836 3161).

Royal Opera House, Covent Garden: Royal Ballet again offers Swan Lake.

ITALY

Rome, Teatro dell'Opera: Revival of Visconti's production of Don Carlo conducted by Gustav Kuhn with Katia Ricciarelli (alternating with Margaret Price), Giacomo Aragall (alternating with Luis Lima) and Renato Bruson (46 17 55).

Parma, Teatro Regio: Orfeo ed Euridice, conducted by Arnold Ostman. A new production by the Teatro Regio directed by Luciano Damiani, who also designed the scenery and costumes. Kathleen Kuhlmann sings Orfeo. Gunnel Bohman, Euridice and Lucetta Bizzi Amore. (79 58 78).

Naples: Carla Fracci and Gheorghe Iancu dancing Romeo and Juliet, to Prokofiev's music, with choreography by Roberto Fascilla. Also, Bellini's Norma conducted by Zoltan Pesko, with Ghena Dimitrova, Maria Dragoni and Nunzio Todisco. (797 2412).

Venice, Teatro la Fenice: La Boheme conducted by Emil Tchakarov and directed by Piero Faggioni, with Renata Scotto, Raina Kabaivanska, Elena Zilio, Jose Carreras, and Leo Nucci. (71 01 61).

NETHERLANDS

Amsterdam, Muziektheater. The Barber of Seville from the Netherlands Opera, directed and designed by Dario Fo, with the Netherlands Philharmonic conducted by Richard Buckley, Zehava Gal (Rosina), Frank Lopardo (Almaviva), and J. Patrick Raftery (Figaro) (Tue). The Nederlands Dans Theater with Frankenstein (Kylian/Gruber), Wiegelied (Kylian/Berg) and Uccelli (Duato/Respighi) (Wed, Thur). (255 455).

Arnhem, Musis Sacrum. The Rijnstad Operetta Company with Der Zigeunerbaron by Johann Strauss, conducted by Casper van der Vinne (Thur). (51 61 91).

Arnhem, Schouwburg. The Introdans company with Bourrasque by Nils Christe, White Streams by Ed Wubbe, and new ballets by Ton Wiggers and Hilt Svavarsdottir (Wed, Thur). (42 27 41).

Modern American dance performed by Bill T. Jones/Arnie Zane & Co. Mon in Tilburg, Schouwburg (43 22 20). Tue in Apeldoorn, Orpheus (21 18 99). Wed in Breda, Concordia (13 57 00). Thur in Rotterdam, Zuidplein Theatre (481 58 44).

Theatre

NETHERLANDS

Amsterdam, Bellevue Theatre. The English-speaking Theatre company presents Barbarians by Barrie Keeffe, a trilogy of short plays tracing the fortunes of three school-leavers, two white and one black (Tue to Thur). (247 248).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

The House of Bernarda Alba (Globe): Lorca's last tragedy in a successful production transferred to the West End from Hammersmith. Nuria Espert, veteran Spanish actress/director, has drilled a high-calibre cast led by Glenda Jackson and Joan Plowright into a near-authentic portrayal of steam frustration in an all-female household oppressed by both traditional catholicism and the peasant class system. Ultimately it's all a bit British, but the company provides a roll-call of some of the best actresses around – all eclipsed by the ineffably touching Julia Legrand. (437 1592).

TOKYO

Kabuki (Kabuki-za). A dance-drama, Kasane, is the most appealing in the matinee programme. The gory tale of an encounter with the skull of a murdered man (father of the heroine, Kasane). When the spirit of the dead man possesses the daughter, the resultant grotesque disfigurement takes place with full relish – though beautified by Kabuki stylisation. More blood and gore in the evening programme. Soga Moyo Tateshi no Goshozome includes the torture scene in which the jealous wife of a feudal lord beats his lover to death. Stars Tamasaburo and Takao appear in both. Excellent English earphone guide available. Kabuki-za, Ginza. (541 3131).

Takarazuka All-Girls' Revue: The Moon Troupe in Nostalgia and Jeff and Roland. This Takarazuka phenomenon, the *antithesis of* Kabuki with even the male roles played by girls, but with typical Japanese innocence and earnestness, is a must for visitors. It offers another insight into the incongruous mosaic of Japanese culture. Highly improbable plots are more than compensated for by spectacular, skilled stagings and huge casts. Detailed English synopses availabe. Afternoon and evening performances. Takarazuka Theatre near Ginza and main hotels. (501 1711).

Noh: Most performances take place at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books A Guide to Noh and Guide to Kyogen in most hotel bookstores and at some theatre give synopses of plots.

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture of feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): *Facetious look at country music* and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

She Always Said, Pablo (Goodman): The company's associate director, Frank Galati, created this pastiche of music by Virgil Thomson and Igor Stravinsky with words by Gertrude Stein and visuals by Pablo Picasso. Performed by 11 actors, the work features Picasso's Minotaur as well as Picasso, Stein and Alice B. Toklas. Ends April 4 (443 3800)

WASHINGTON

Citizen Tom Paine (Eisenhower): Richard Thomas stars in popular historian Howard Fast's look at the Thetford-born American radical's rise and fall to obscurity, in between the fame brought by Common Sense. Ends April 12. Kennedy Center (254 3670).

Saleroom/Annalena McAfee

Cartier is tops

An upsurge of interest in jewellery was reflected in Sotheby's sale of fine jewels in London yesterday. The total of £1,930,159 and the negligible *percentage bought in (2.8)*, delighted Sotheby's director of jewellery, David Bennett. "It *represents a turnaround in* the jewellery market right across the board," he said.

Interest was thought to be sharpened in anticipation of the sale of the Duchess of Windsor's jewels at *Sotheby's in* Geneva in April. The Duchess's collection includes several important Cartier pieces, and in London yesterday the two top lots were by Cartier.

An anonymous buyer paid £82,500 for a 1939 Cartier diamond necklace, designed as a flexible band, while the London dealer S. J. Phillips bought a beautiful Cartier *emerald, ruby*, sapphire and diamond necklace, designed *circa* 1955 as a garland of flowers and leaves, for £68,200.

A 19th-century diamond necklace, a graduated row of cluster and fleur-de-lys motifs, fetched £28,600. The buyer was the London dealer Collingwood. A diamond tiara which could also be worn as a necklace, designed in 1905 with ribbon bows and flowerheads, was bought for £27,500 by an anonymous buyer.

The London dealer R. *Benjamin paid £22,000 for* a diamond and sapphire set comprising a festooned necklace, earrings and a brooch. An Art Deco Egyptian revival evening bag, with a voluptuous maiden reclining on the clasp, made in France in 1930, fetched £9,020. The buyer was the London-based Italian *dealer* Calabro.

A pair of diamond earclips in the shape of porcupines, with ruby eyes, was sold for £13,750 to the Pruskin Gallery in London.

Christie's sale in London yesterday of fine English furniture *realised a total of £327,855 with* 6 per cent bought in. The top lot was a George III mahogany *secretaire-cabinet* which was bought for £11,000 by the London dealer William Bedford. It had been expected to fetch up to £5,000.

Every lot was sold in Christie's sale of fine English enamels on Wednesday night. *The collection of caskets*, cannisters, religious and portrait plaques, snuff boxes and domestic utensils, wine funnels and labels were the property of the late Sir William Mullens. A total of £150,000 was expected and the auctioneers were delighted when keen bidding brought the final sum realised to £254,518.

One private collector spent a total of £137,170 at the sale, ensuring that the bulk of the Mullens collection will be kept in one piece. The collector, who *insisted on anonymity*, paid £27,500 for the top lot, a Birmingham rectangular casket painted in the style of Watteau.

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Intervention in industry

DESPITE THE improvement in Britain's economic prospects, there has been a revival of interest in recent months in the idea of a more purposeful industrial strategy, in which a strengthened Department of Trade and Industry would play a central role. This approach has been advocated both by Mr Michael Heseltine, the former Defence Secretary, and in remarkably similar terms by Mr John Smith, the Labour Party's chief spokesman on trade and industry. To some extent it reflects a continuing anxiety about the decline of manufacturing industry: some critics see the recent transfer of control over Leyland Trucks to Daf of Holland as an example of the present government's indifference to the fate of important parts of industry. Yet the clamour for more intervention is based on a misleading analysis of past UK experience and other countries' performance.

The term "industrial policy" means different things to different people. Thus Mr Paul Channon, Trade and Industry Secretary, claimed in a lecture this week that the Thatcher Government had been pursuing since 1979 "a coherent and consistent industrial policy, designed to establish a framework for enterprise in which industry and commerce can thrive." The Heseltine-Smith school, by contrast, would put more emphasis on the need for government to take a view about which industries—and which companies within those industries—should be encouraged and supported. This implies, if not "picking winners," at least a positive determination to influence the structure of industrial output and in that sense to override the market.

Japan's success

The model which is usually relied upon is Japan. But most advocates of an industrial strategy have a picture of Japan's Ministry of International Trade and Industry which is more relevant to the 1950s and 1960s, when the economy was being rebuilt, than to the present day. In the earlier period there was a conscious effort to identify growth industries and to assist in their development through foreign exchange licensing and preferential access to credit; even in those days the initiating role of MITI was a good deal less than foreign observers tend to assume.

More recently the power of the Japanese Government to alter industrial structure has been greatly reduced. MITI plays a modest role in supporting research and development and in publishing detailed "visions" of the country's industrial future. But Japan's export success is certainly not attributable to an active industrial policy; the vigour of internal competition is a much more important factor.

Legitimate role

As for the UK, the high hopes which the Labour Government of 1964-70 invested in the Ministry of Technology were not fulfilled. Its aim was "to stimulate a major national effort to bring advanced technology and new processes into British industry"; it was to work alongside other agencies, including the Industrial Reorganisation Corporation and the "Little Neddies," to influence the structure and behaviour of industry. Although the incoming Tories in 1970 disbanded both Mintech and the IRC, many of the same objectives were pursued by the Department of Trade and Industry. Indeed, there has been a remarkable continuity of industrial policy at least until the early 1980s, and its achievements have been extremely modest.

The DTI has a legitimate role in ensuring that the interests of industry (not just manufacturing industry) are taken into account in government policy. The danger is that the Department becomes a mouthpiece of lobby groups seeking protection and special assistance. This danger has not been eliminated under the Thatcher Government; the DTI has not been a consistent champion of allowing markets to work.

The real need is not to increase the power of the DTI, but to direct its industrial activities away from protection into those areas where it can have a beneficial long-term effect on industrial performance. One element is the diffusion of knowledge about technology and new production processes throughout industry, especially among medium-sized and smaller companies. Providing advice and assistance along these lines will win no headlines, but governments are likely to be better at it than at making commercial decisions.

Yugoslavs fight hyper-inflation

THE YUGOSLAV Government is battling on two fronts. Its new wage controls have sparked the most concentrated outburst of labour unrest the Balkan country has seen for many years. The controls are an understanadble reaction to inflation, now running at 130 per cent a year. But that inflation rate is simply the latest thermometer reading of a deepening economic malaise which is causing international creditors to reconsider seriously the terms on which they have given Yugoslavia debt relief.

Yugoslavia is going to require a great deal of self-help and a finely judged mixture of help and pressure from abroad if it is to pull out of its dive. The goal must be a transformation of the country's economic, and maybe even political, system

Part of the blame must lie with Mr Branko Mikulic who took over as premier last May and in his first six months of office undid the very modest achievements wrought under the previous six and a half years of supervision by the International Monetary Fund. Nominal interest rates sank way below the rate of price rises, the money supply surged, wages rose 10 per cent above inflation, and currency depreciation was so mismanaged that the dinar actually rose in value against the dollar in which half all Yugoslav trade is denominated.

First step

Mr Mikulic can fairly put as much blame again on his inheritance—the long-term distortions of a fragmented economy with little free flow of goods, capital and labour, and the long-term inability of the federal government to knock heads together in the eight republics and provinces so as to get quick and binding national decisions.

Given wage-driven hyper-inflation, the roll-back of wages to their average level in the last quarter of 1986 may be the least bad option, as a first step. Anomalies must be rapidly ironed out. The low-paid deserve lighter treatment. But the Belgrade authorities, long criticised by foreign creditors for being chicken-hearted on austerity measures, deserve some credit when they actually impose such a measure and suffer the political flak.

The wage roll-back, however, needs quick complementary action. Mr Mikulic would be well-advised to forge ahead with the agenda of reforms he pushed aside during his prime ministerial novitiate last year. Positive real interest rates, an essential discipline, need to be reached earlier than the leisurely January 1989 deadline Mr Mikulic has now set. Knock-on benefits would be felt in wage-setting, corporate accounting and stockholding.

Salutary lesson

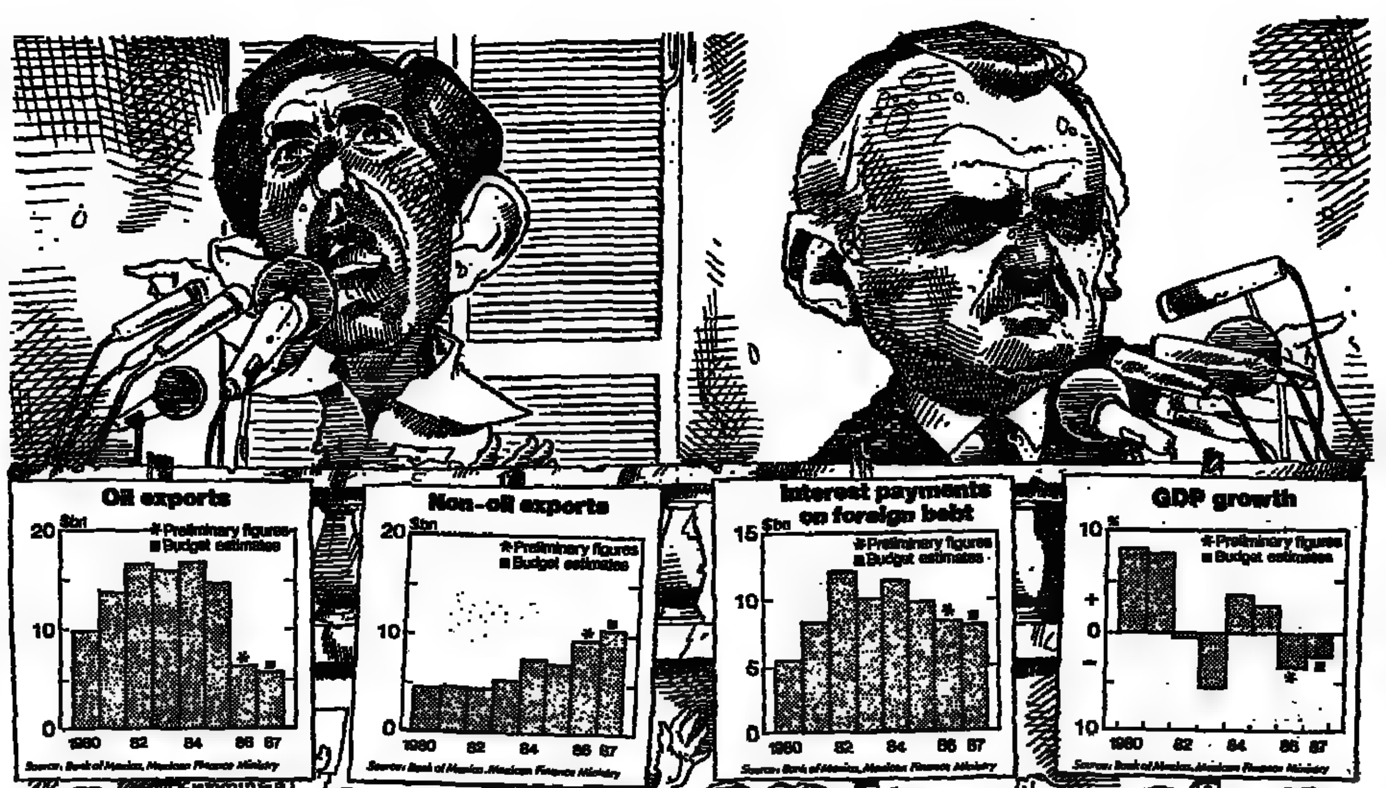
Some creditors who have lost faith in the Belgrade policy-makers want Yugoslavia to return to a full IMF standby credit adjustment programme. But it seems pointless trying to drive two very unwilling partners into formal harness again. If Mr Mikulic has seen the error of his 1986 ways, it might not even be necessary. However, the Yugoslavs are going to have to make some serious policy commitments if debt rescheduling is to be smoothly renewed by creditor governments and banks in the next few weeks.

Mr Mikulic has appealed for more help from the EEC which accounts for the largest share of the Yugoslav trade deficit and its debt. The plea is made in the context of two years of stalled negotiations over a new Yugoslav-EEC economic accord, and hints that in the absence of such an accord, non-aligned Yugoslavia might turn more to Comecon.

In the unlikely event that Yugoslavia did turn East, it would find a salutary lesson. One-party states there, with far greater political handicaps than Yugoslavia, are starting to risk market-orientated reforms. Even President Husak of Czechslovakia said yesterday he envisaged Gorbachev-style economic and political changes. The communist system has an indigenous legitimacy in Yugoslavia, independent since 1948, that it lacks in Czechslovakia, under Soviet dominance since that date.

It may be that thorough going market reforms may one day undermine the political dominance of the Yugoslav communist party. That is a risk the party must run. In the absence of such reforms, its dominance may be jeopardised even earlier.

MEXICO'S DEBT AGREEMENT



Mr Cuauhtemoc Cardenas (left) has split the Institutional Revolutionary Party (PRI) of President Miguel de la Madrid (right). Economic issues, such as the size of Mexico's debt service burden, are crucial to the debate

The problems cash cannot solve

By David Gardner in Mexico City

TODAY in New York a long and occasionally dramatic process reaches its conclusion. Mr Gustavo Petricioli, Mexico's Finance Minister, joins his country's major bankers to begin signing kilos of documents releasing up to $7.7bn in new commercial credits.

It took Mexico and its creditors nearly a year to negotiate the innovative financing package, which will be worth around $13bn to $14bn over the next two years — the final years of President Miguel de la Madrid's administration.

Drawn up with unprecedented backing from the International Monetary Fund and the World Bank, the Mexican deal is a prototype for the so-called Baker plan promoted by Mr James Baker, the US Treasury Secretary to help Third World nations grow their way out of debt.

Its stated aim is to help Mexico engineer a phased return to growth within a framework of structural economic reform—its hoped-for effect will be to bankroll the 70-year-old régime of the Institutional Revolutionary Party (PRI) through a smooth Presidential transition.

But the ease of the transition is far from assured, and if recent Mexican history is anything to judge from, the cautious economic strategy which has served Mexico well over the past year could prove an early casualty. even more severe.

In the run-up to the 1976 and 1982 presidential handovers, economic policy was left hostage to the caprice of outgoing leaders, and public spending binges by those who aspired to replace them.

If anything, today's political tensions within the PRI are even more severe. The fundamentalist challenge which has emerged from its ranks in the form of the uncompromising Mr Cuauhtemoc Cardenas — son of the most revered political figure in Mexico this century, General Lazaro Cardenas, who was President in the late 1930s —represents a serious threat.

The party leadership effectively expelled Mr Cardenas last week after he accused it of playing into the hands of the Right by its authoritarian and anti-democratic practices, which he argued, betrayed Mexico's revolutionary traditions.

Whatever the strains to come, it is difficult to gainsay the performance of Mexico's economic managers over the past year. The country's creditors have provided no net new finance for 28 months, though it suffered two devastating earthquakes 18 months ago and lost over half its revenue from oil, its main export, last year.

Its people have endured an excruciating round of austerity to compensate. Mexico has kept current on interest payments in its $100bn foreign debt. And despite the loss of $8.5bn in oil revenues, equivalent to 6.5 per cent of GDP, contraction in national output was held to 3.5 per cent. The current account deficit was held to an estimated $2bn last year, down from 1985's $540m surplus.

Mexico's gross international eserves, which in the six months to last July were halved to under $3bn, have now been rebuilt to over $8bn, according to Mr Petricioli.

Consumer price increases were held to 106 per cent for the year, just over 40 points up on 1985.

Under the circumstances, it has been an impressive performance. But it is not the first time that the de la Madrid government has managed a containment and clean-up strategy, only to fritter away the gains later on. In 1983-84, the Administration adopted a programme, under IMF supervision, which halved inflation, cut imports and the public sector deficit by two-thirds, produced bumper trade and current account surpluses and rebuilt reserves. But it subsequently allowed the economy to overheat badly in the run up to the July 1985 mid-term Congressional and gubernatorial elections. As domestic demand recovered inflation was revived, the peso, surpluses and reserves sank, and nonoil exports fell.

In those elections, which like all major elections in Mexico the PRI has won by fair or by foul, the regime can hardly be said to have been fighting for its survival. Now some seasoned observers believe it will have to start to do so.

All this raises major question marks about the Government's recovery strategy, now that the money to finance it is starting to flow in. Is Mexico condemned to pay for growth with high inflation, runaway public spending, a balance of payment collapse and yet another run on the peso, as it was in 1981-82 and 1984-85?

Probably not, at least for the remainder of this government. But after that continuity of regime does not guarantee continuity of policy.

The de la Madrid Administration has opted for a carefully phased transition from the emergency economy to controlled expansion.

> The cautious economic strategy which has served Mexico well over the past year could prove an early casualty of the presidential transition

The strategy comes in three stages: "correction" or realignment of relative prices; reduction in inflation; and then moderate reflation, including a vitally needed 15 per cent rise in public investment, and the gradual freeing of credit—almost wholly monopolised last year by the public sector—for private investment.

The first stage is well advanced, its fruit an expected rise in the annualised rate of inflation to over 130 per cent at the end of this quarter.

The critical part of stage two involves the gradual reduction of interest rates and a slowing in the daily rate of devaluation. Moves to liberalise imports will also feed through into prices.

Rates on the benchmark three-month Treasury bills have at last begun to drop from their historic high of 106 per cent in the past two weeks.

The Government is firmly committed to maintaining a competitive exchange rate—as Mr Petricioli stressed in an interview this week—but clearly feels it can ease off on the pace of the current crawling peg system. In the first two months of this year, the peso slid 13.9 per cent against 15.9 per cent accumulated inflation.

There are several risks involved at this stage. The $5bn capital inflow since mid-1986 is largely flight capital induced back by the squeeze on private sector credit and high real interest rates, while the 34 per cent leap in non-oil exports, see graph, is more the product of devaluation and stagnant domestic demand than trade reform. Trade liberatisation—in particular the removal of 70 per cent of imports from the import licensing system—is designed to foster permanent growth by diversification into non-oil exports, but there is little evidence that this is happening. So far Mexico is not exporting anything it did not export before the recent oil shock or, with the main exception of car parts, before oil was discovered here in large quantities in the mid-1970s.

It remains to be seen whether manufactures now being sold abroad because of depressed domestic demand — and bumping up export figures in the process — will be sold domestically when demand recovers as expected in the second half of this year.

It is at this stage that most observers see the real danger.

They recall that President Jose Lopez Portillo, who bequeathed office and bankruptcy to Mr de la Madrid in 1982, had a neat three-stage plan when he succeeded the discredited President Luis Echeverria in 1976: the result was one of the biggest boom-to-bust cycles in modern history.

In 1981, the equivalent year to 1987 in Mexico's six-year political cycle, Mr Lopez Portillo, with Mr de la Madrid as his Planning Minister, ignored the June oil price collapse and the sharp rise in international interest rates — which together cost Mexico $10bn — and borrowed $20bn.

Nothing done under this government suggests that its members emerged other than chastened from this experience.

Even for those of little faith, who further note that the two front-runners to succeed Mr de la Madrid — Mr Alfredo del Mazo and Mr Carlos Salinas de Gortary — head, respectively, the potentially big-spending Energy and Industry and Planning Ministries, there is one compelling reason to suggest the Government will hold its course.

This is because if it does, it should be rewarded with an annual growth rate of around 5 per cent in 15 months' time—just when the PRI campaigns to re-establish its legitimacy for the next six-year term reaches its peak.

The wild card that may upset this reasoning, however, is Mr Cardenas and his constituency.

Mr Cardenas's credentials are impeccable. As President his father nationalised oil and distributed land to the peasants, reforms which in nationalist Mexico still count for a lot.

Mr Cardenas, a respected and austere figure, can be expected to use next year's emotive 50th anniversary of the expropriation of the oil industry as a platform, for policies which include a radical limit to debt service payments.

At the head of the democratic current inside the PRI, he is calling for an end to the hermetic process whereby the sitting President hand picks his successor, and its substitution by a primary system with the PRI rank and file electing a candidate virtually guaranteed election at the polls by the formidable PRI machine.

The party's credibility is at an all-time low among Mexicans after the corruption and mismanagement of the last two governments and several demonstrations by this one that it is prepared to sustain itself in power by electoral fraud where necessary.

It was certainly not enhanced by Mr de la Madrid's appearing, for the first time as President, on the same platform as his predecessors, Mr Echeverria and the widely reviled Mr Lopez Portillo, at the PRI's national congress this month.

The clamour for democracy has risen audibly in recent months. The national university strike at the beginning of the year, for instance, was just one among many reminders that the right-wing National Action Party is no longer the only, or even the most likely repository of protest against the regime.

Men and Matters

One cabby's airline

It sounds like a synopsis for a soap opera. Neill Scott, aged 52, born and bred in the East End of London, has moved in just 20 years from being a London taxi driver to owning the lion's share of a brand-new airline.

Air 2000 is taking delivery of its first Boeing 757 from the makers early next month—the first of three similar aircraft ordered on long-term, leases which will provide 300,000 extra passenger places a year in the fast-growing British holiday charter market. The new company will also provide 150 jobs in Manchester where the operation is based.

Errol Cossey, aged 44, who built up Air Europe, is the Air 2000 chief executive. And he and his management team hold 24 per cent of the equity.

The remaining 76 per cent belongs to Owners Abroad, the travel and air business, with a current market value of £36m, set up 16 years ago by Scott and Nicholas Langley-Pope, aged 48. A USM company, it is applying for a full stock exchange listing.

Scott's own holding in Owners Abroad is now worth £5m. But he says that up to the age of 32 he was happy enough driving his London cab and playing rugger (he reached Eastern Counties standard) at weekends. He also maintains that learning the "Knowledge" for his cab licence was as gruelling a task as anything he has undertaken since.

• A larger-than-life character who weighs 20 stones, and finds difficulty talking fast enough to keep up with his flow of ideas, he says business life really started for him when he opened a one-man travel agency—offering one-way tickets to Spain for £13.50—and ran a fleet of a dozen ice cream vans in London during the summer season.

Scott sees Air 2000 expanding to become a 10-plane airline within the next few years. They will, he says, all be new aircraft.

Inside jobs

Remember Leavenworth prison in Kansas—the institution which runs a profitable T-shirt, mattress, and paintbrush business employing 500 inmates, as I reported last November?

Well, a few hundred miles east in Ohio, local businessmen are now complaining about what they term unfair competition from the state's overcrowded prison system.

At the root of the problem is the success of Ohio Prison Industries whose sales of a wide range of products including mops, state flags, and even computer equipment, are this year expected to bring in over $18m.

"It is simply unfair," according to David Budd, a cleaning agent manufacturer comparing private sector wages of around $7 an hour with the 31 cents an hour paid to some prisoners.

But while local businesses are pressing the state legislature to impose restrictions on the marketing and manufacture of prison-made products, OPI is planning to expand. If it has its way, 3,000 inmates will be employed in the state's prison industries.

So the Americans may be the first to perfect insider trading.

Guides to 2000

Old Shell hands treasure a mythical tale that the poet and writer John Betjeman took on the considerable burden of editing the first Shell County Guides to Britain in the 1930s because he saw an opportunity for unlimited free petrol to enable him to visit his beloved churches.

Certainly he gave churches plenty of space. And he somehow managed to leave readers haunted by guilty feelings that they would be spiritually and morally poorer if they missed out even one of his recommendations.

"Don't ask about the future, honey — even the Labour party doesn't know whether we're coming or going"

Now the New Shell Guides are about to appear. And although churches do not get anything like the showing afforded them by Betjeman, the series editor, John Julius Norwich, is clearly determined that the guides should continue to be true evocations of flavour of the British countryside rather than dry gazetteers.

Michael Joseph is publishing the first four—Devon, Cornwall, and the Isles of Scilly; South and Mid Wales; Northern Scotland and the Islands; and The Channel Islands—next week.

Instead of sticking rigorously to county boundaries the guides are catering for the motorway age by covering identifiable regions.

It will be the Year 2000, I am told, before all 24 of them are written and published. But Michael Joseph need not be embarrassed by the time span. For, whisper it, Shell never did complete the old county guides set — Yorkshire, Lancashire, and Middlesex are missing.

Exchange control

Few would envy the task of William Bradt, aged 41, a New York Mercantile Exchange (Nymex) independent floor trader, as he attempts to step into the shoes of Michel Marks, the exchange's youthful chairman these past nine years, who recently decided to retire aged 37.

It is a hard act to follow. Under Marks about whom I wrote recently, Nymex has enjoyed a period of exceptionally rapid growth, even by futures business standards, fuelled by the success of its flagships—a crude oil futures contract.

Bradt fought off a stiff challenge for the chairmanship from Stanley Meierfeld, a Geldermann Inc. vice-president and the exchange vice chairman. It was the first reasonably close election which Nymex members have experienced since the Marks era began in 1978.

Bradt is expected to take measures to improve trading space on the increasingly crowded Nymex floor, and, perhaps, to increase the marketing budget.

His first task, however, has proved a pleasant chore. As soon as the election result became known he flew down to Boca Raton, Florida, where the Futures Industry Association is currently engaged in its traditional lavish annual convention.

Bank giro

The Midland bank's Truro, Cornwall, branch declined to open an account for a man who, to identify himself, offered a police document charging him with an offence.

A prudent decision with the benefit of hindsight. It turned out he was charged with stealing a Lloyds cheque.

Observer

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Politics Today

Lawson: the best Chancellor they have

By Malcolm Rutherford

MR NIGEL LAWSON'S Budget last Tuesday may not be his last. The British Chancellor sees some attraction in the idea of introducing another in the first year of the new Parliament, provided, of course, the Conservatives win the general election.

The reasoning is quite simple. It is the first Budget of the new term that lays down the economic policy agenda for the rest of the Government's life.

That explains a lot about the Budget this week. It was not exactly full of innovations and reforms. The explanation is that the fag-end of a Parliament is not the right time at which to announce radical changes. The Chancellor consolidated on what had gone before and took advantage of the surplus revenues both to cut taxes and to reduce the public sector borrowing requirement.

In the circumstances, it was probably about the best Budget that he could produce: pleasing to the markets, electorally favourable to the Conservatives without risking the charge of being rash, and politically difficult to attack.

Yet at a time when all the economic indicators have begun to point in the right—or, at least, not the wrong—direction, what I find odd about the preparation for the Budget is the sheer precariousness of it all.

The real turning point came in the autumn Statement in November when the Government decided that it could afford to increase public expenditure. (It is the publication of the spending figures in the autumn that nowadays tends to make Budgets look less exciting.) Not the least important effect of that was to still criticism of the Government's economic policy within the Conservative Party: the wets dried up, having claimed that they won.

But there was still a long way to go. There were apparently some quite serious differences within the Treasury about the likely turn-out of this year's PSBR. The Chancellor's advisers argued that it was going to overshoot the projected figure of £7bn. Mr Lawson disagreed and became increasingly convinced that he was right as the winter wore on.

The December revenue figures were good. In January, which is a big tax-gathering month, they were even better, and were known early. Moreover, the Chancellor claimed that he had been able to discern a seasonal bias in the PSBR projections over the years. There was always talk of an overshoot in October-November because that is when Ministers are discussing spending plans. It had not always been borne out by results.

Mr Lawson also used anecdotal evidence to back his case. His conversations with businessmen suggested that they would be paying rather a lot of corporation tax. They were not particularly complaining about it because, on the whole, their profits were high. But the Chancellor took the hint: revenues were going to be stronger than even he had originally expected.

The key strategic decisions on the Budget were thus taken in mid-January when Ministers borrowed the Foreign Secretary's country residence at Chevening for a week in Kent. They were to make a more or less 50-50 split between cutting taxes and reducing next year's PSBR.

Yet there were still uncertainties: not least on the foreign exchange markets. The turning point here seems to have been the meeting of the Group of Six finance ministers in Paris in late February.

The meeting had been delayed at the British request. Mr Lawson went out on a bit of a limb and refused to attend unless the Ministers had agreed in advance on what they were going to decide. He suspected that Mr James Baker, the US Treasury Secretary, just wanted to hold the meeting to see if agreement might be possible. He also still fears that Mr Baker is seeking to impose rather wider international monetary reform than the Europeans are yet ready to accept and which, he claims, has not yet been properly considered.

Anyway, Mr Lawson got his way again. The Paris meeting duly took place with decisions agreed beforehand. The Chancellor referred to it in his Budget speech as "Plaza 2," Plaza 1 having been the meeting in the Plaza Hotel, New York, in September 1985 when the Group of Five effectively agreed to devalue the dollar.

[The Group of Five includes the US, Japan, Britain, France and West Germany. Sometimes it is extended to the Group of Seven to include Canada and Italy. In Paris it was the Group of Six because the Italians did not like attending a meeting of the Group of Five on the fringe. Essentially it is the Group of Five that maters.]

Confirmation of what happened in Paris is given in the Financial Statement or "red book" that accompanies the Budget. Paragraph 2.10 says in part: "At a meeting of Finance Ministers and Central Bank Governors of six major industrial nations in Paris on February 22, it was concluded that a period of stability would be desirable. Accordingly, the UK and other countries represented there agreed to co-operate closely to that end."

In other words, it was decided that perhaps allowing for a short period of adjustment after the meeting joint efforts would be made to maintain exchange rates within a fairly narrow margin from their current level.

These "Plaza" meetings have not yet been institutionalised. They should not be confused with other more regular sessions of the Group of Five, such as the one which takes place before the meeting of the Interim Committee of the IMF in Washington next month. The aim is to agree to co-operate closely on an ad-hoc basis to deal with a particular situation at a particular time.

From the British point of view, Plaza 2 was a great success. The pound strengthened before the Budget and, in general, the foreign exchange market calmed down. From Chancellor Lawson's point of view, that calm was the missing piece of the Budget jigsaw. He had had no great fears about the development of the British economy; he had been worried about the effects of turbulence in the market.

There was also a bonus. After Plaza 2, the foreign exchange paused and re-assessed the international scene. The conclusion seems to have been reached that British economic prospects are rather better than had been previously realised.

The result of the Parliamentary by-election in Greenwich on February 26, where the Labour Party fared disastrously, was a contributory factor. The markets decided, perhaps for the first time, that the chances of a Labour Government after the general election are remote enough to ignore.

The Chancellor was thus in the fortunate position not only of being able to produce the sort of Budget that had been planned in January, but of doing so in calm market conditions. There is the pledge of international support to keep the pound at around its present level, if necessary. Two half-point cuts in interest rates have already taken place: one before the Budget, one just after. There should be more to come, though not perhaps many. Mr Lawson is markedly reluctant to see any further sterling depreciation. Priority now will go to reducing the rate of inflation.

One Budget decision was taken late: it was not to raise the excise duties on alcohol, tobacco and petrol. There were several reasons. Among them were a desire not to incur any unnecessary unpopularity with the electorate and to do nothing that would push up the retail price index. With the lower rate of inflation, the need for an annual indexing of the duties has also become less urgent. When Sir Geoffrey Howe was Chancellor and inflation was high, the Treasury considered raising them on a quarterly basis in order to avoid the annual shock of a huge increase.

A key reason, however, was pressure from the tobacco lobby, supported by some Labour MPs who have cigarette factories in their constituencies. The industry is having to face up to cheap imports from Berlin and asked — in a rather inappropriate phrase — for a year's "breathing space" to put its house in order. It won. Once tobacco was to be immune from a rise, it would have looked funny not to take the same approach to alcohol.

The most interesting political reaction to the Budget so far has not come from the Labour Party, which was predictably opposed to it in almost every respect and was horrified by Wednesday's announcement of the sale of the remaining Government stake in BP, but from Mr Roy Jenkins, speaking for the Liberal-SDP Alliance.

Labour will not only vote against the tax cuts, which it did not do against the 1p cut in the standard rate last year; it is pledged to restore them. The Alliance, Mr Jenkins said, will vote against the cuts, as indeed it did on the previous occasion. But it will not commit itself to putting them back because it cannot foresee what the circumstances will require.

It is this open-mindedness that commands respect for Mr Jenkins even on the Tory benches and perhaps among Tory voters. He was highly critical of the Budget, but he did not condemn it lock, stock and barrel. Where he scores is in suggesting that there might be a middle path that is the way neither of Mr Lawson nor of Mr Roy Hattersley, the shadow Chancellor.

Mr Lawson, one suspects, would now be quite happy to see a general election somewhere between mid-June and early July: once the Finance Bill is through Parliament. He has done his stuff. The question is: what next?

If he is to continue as Chancellor, there may be some unfinished business to be settled first with the Prime Minister. He would almost certainly like greater licence to get on with tax reform and to take Britain into the exchange rate mechanism of the European Monetary System. On neither of these matters do he and Mrs Thatcher exactly see eye to eye. She might like to ponder, however, that Mr Lawson is the best Chancellor of the Exchequer that the Conservative Party has.

Roy Jenkins (left): more open-minded than Roy Hattersley

Lombard

Sub-Saharan Africa's agony

By Michael Prowse

MENTION Third World debt at a dinner party and two misconceptions are likely to surface immediately. The first is that the crisis centres on Latin America and, at present, Brazil in particular. The second is that the principal villains in the debt morality play are hard-nosed commercial bankers like Mr John Reed at Citicorp. The truth is that the real debt crisis lies in Africa while the real villains are politicians and civil servants.

The impression that Brazil is facing intractable difficulties has been created by the media's indulgence of Mr Dilson Funaro's recent fist-waving world tour. The fulminating Finance Minister knows perfectly well that Brazil, by Third World standards, is rich and can readily service its debts if it avoids the sort of consumption binge he unleashed last year. If Brazil defaults, it will be a matter of choice not necessity.

What about the John Reeds of this world? True, they do not come across like Salvation Army bandmasters. But then their shareholders pay them to be profit-seekers. The world would be in a sorry state if bankers stopped behaving like bankers and began to ape Oxfam representatives. It is quite legitimate for commercial bankers to play a vigorous game of bluff and counter bluff with their formidable adverseries in the big middle income debtor nations. Tightfistedness now may prove a commercial misjudgment, but that is another matter.

If criticism is due, it should be directed not at cogs in the banking system but at the politicians (and to a lesser extent civil servants) who theoretically have the power to change the rules of the debt game. The charge that might be levied against, say, the Group of Five finance ministers (who effectively dictate the policies of the IMF and World Bank) is lack of leadership and lack of humanity. If a prosecuting counsel wanted to guarantee a verdict of guilty he would direct an international jury's attention not to Latin America but to Sub-Saharan Africa.

There are two reasons for this. In the first place, almost all the debt is owed to governments and supranational institutions rather than commercial banks. Politicians thus cannot pretend solutions are the private sector's responsibility.

Equally important, the region — unlike rich Brazil — genuinely deserves the First World's sympathy and cash. Many of the countries are quite desperately poor and face quite impossible debt repayment schedules. Zaire, for example, is poorer than it was a generation ago and has well under a tenth of the per capita income of Brazil. The World Bank calculates that the 12 African countries most plagued by debt now face scheduled repayments more than four times higher than the sums they could not manage in 1983-85.

Paris Club negotiations on African sovereign debt have descended into farce. There have been 88 reschedulings in the past decade. Payments due on previously rescheduled debt are having to be rescheduled. The cycle of arrears and rescheduling looks endless and it all reflects the meanness of First World lenders and donors.

The problems are magnified by what one senior official dubs the "unconscionable" attitude of the IMF, which is proving every bit as inflexible in Africa as the commercial banks have been in Latin America. Like them, it lent heavily on the wrong terms to the wrong countries and it is now refusing to bend its own rules. It wants the money back, come what may. Roughly half of the total debt repayments being made by the most heavily indebted countries are going to the Fund.

Something clearly has to give. Virtually every development economist openly admits that debt forgiveness is unavoidable in Sub-Saharan Africa. The absolute sums at stake are not large. A political initiative at the highest level is required to sort out the muddle and to mobilise more resources. It may be that the Fund's rules will have to be amended. The sooner politicians stop worrying about Brazil and start worrying about Africa, the better.

Letters to the Editor

Set-aside fund

From Mr N. Davie-Thornhill

Sir,—I read with interest Mr Martin Wolf's letter (March 13) which compared the current contraction of the agricultural industry to that which happened a year or two ago in the mining industry.

The comparison is apt in that neither a farm or a mine can run below maximum output and produce at economic cost.

When the mining industry was contracted the miners were given generous payments to find alternative employment and the loss through the pits being closed was borne by the industry as a whole—in effect by the taxpayer. In the case of the excess output of the agricultural industry, which has largely been caused by too generous grants by the Government to increase production, it is now offering no cash payments to outgoing farmers, except to dairy farmers, and the loss which will fall on individual farmers who happen to own uneconomic farms will not be spread through the industry equally and will fall particularly heavily on certain individuals. Therefore, "set aside" is not as ridiculous as it might appear and at least the land is kept with the potential for output if and when output is required.

N. B. B. Davie-Thornhill.
Hinderclay Hall,
Nr Diss, Norfolk.

The Budget and AVCs

From Mr N. Crighton

Sir,—The Chancellor's proposed liberalisation of aspects of the additional voluntary contribution facility provided by pension schemes is welcome. If, however, it really is his intention not to allow any of the rights secured by AVCs to be commuted into a tax-free lump sum, he does the average scheme member a great disservice while attempting to curb the perceived "abuses" perpetrated by the highly paid minority.

Many occupational scheme members accumulate AVC benefits to fund the tax-free cash sum they can only otherwise provide by commuting their scheme pension. The Chancellor's proposed action appears to force the member to surrender scheme pension. If the scheme pension is subject to post retirement increases at rates up to the level of inflation it is unlikely that the AVC fund will be able to replace the benefits given up. The member will thus have been disadvantaged in the very area (the provision of pension) that the ruling is devised to safeguard.

It is also unfortunate that the members of contributory pension schemes have been left at a disadvantage compared to members of non-contributory schemes. The latter have the full AVC allowance of 15 per cent of remuneration at their disposal.

Neil Crighton.
210 Seddon House,
Barbican, EC2.

Married man's allowance

From Mr J. Nicholson

Sir,—The married man's income tax allowance, a relic of a paternalistic era, is widely regarded as an anomaly in present day society; and the question of what—if anything—should replace it has been under review for some time. Attention has so far been largely focused on the rather clumsy system of transferable allowances to be used by either the husband or his wife.

May I suggest a simpler solution of which the rationale is self-explanatory? Add together the incomes of husband and wife, deduct twice the single person's allowance plus other appropriate reliefs and allowances, divide their combined income net of allowances by two and apply the current income tax rates to each half of their combined net income.

This solution would do away with the married man's allowance as such. It is simple and equitable, in the sense of showing no favouritism to any particular group, and yet it would give married couples just the advantage which is logically inherent in their marital status. Share and share alike—what more appropriate rule to apply to the financial arrangements of a married couple?

J. Leonard Nicholson.
53, Frognal, NW3.

University star ratings

From Dr I. Aitchison

Sir,—Brian Groom's aptly titled piece (March 16) on the recent election of the Chancellor of Oxford University is indeed all "archaic nonsense," but most of it is of the anecdotal type which is hard to combat. One particular piece of factual nonsense, however, must be sharply corrected.

Mr Groom wrote: "There are serious issues, of course, not least the fight for funds. . . . Why should the public take more note of an election at Oxford than elsewhere? It came 31st out of 45 last year... in the University Grants Committee's ranking of performance in teaching and research." The clear message is that Oxford's academic standing is well below average, with the implication that public funds to the University ought to be reduced.

The UGC did not publish any ranking of performance in teaching in 1986. It did publish a ranking of research performance. In this ranking, Oxford University obtained the highest ("star") ratings for 33 out of its 42 departments and cost centres. Only one other UK University obtained more stars—Cambridge, with a total of 36 stars out of 52 departments/cost centres. The position "31st out of 45" refers to a table, published for example in the Financial Times of May 21 1986, showing the percentage increase or decrease in Universities' UGC grants as compared to the previous year. Oxford's position simply reflected the fact that its grant was more or less unchanged. It was not, to repeat, a table of rankings of performance in either teaching or research.

Yes, Mr Groom: there are serious issues here.

(Dr) I. J. R. Aitchison.
Department of Theoretical Physics,
University of Oxford,
1, Keble Rd, Oxford.

A 30-year war

From Mr T. Schoeters

Sir,—Peter Walker's predictable decision on Sizewell B is a significant victory in the 30-year war between the Central Electricity Generating Board and the Atomic Energy Authority about who decides what atomic plant Britain needs.

Logic says that the AEA, the atomic expert, should be the arbiter. Industry contends that only people close to the shopfloor can decide whether a blueprint is achievable. Alternate governments have backed one or the other view; but latterly the contest has become highly politicised.

CEGB has identified the Advanced Gas-cooled Reactor with the Labour government whose then Minister of Technology, Frank Cousins, imposed this fraught design on a CEGB that wanted the boiling water reactor (BWR). At that time, cost figures for the BWR were astoundingly low and designers could demonstrate large hardware, while the AGR was tentative at best. Was Cousins right? Well, the American utilities have voted against BWR.

But CEGB is shifting the blame for AGR problems from its own guilty shoulders. When it had to award Dungeness B to the United Power Company, the only group that had done any homework on the design, the engineering side of CEGB made it known that it did not approve and that it would "select" a consortium with which it would work to establish an AGR design the CEGB liked. The selectee was the Nuclear Power Group, submitter of the BWR tender based on a General Electric design and which had consistently rubbished the AGR in the preceding years.

The outcome of that exercise was Hinckley B and thereafter, the CEGB kept very close control over the whole design and submission process.

It is not necessary to chart the chequered career of the AGR through its various designs. The record speaks for itself.

The question must be asked—how can we be confident that the CEGB's handling of a family of pressurised water reactor power stations will be any different?

I cannot resist the wry comment that the embattled field-marshals on either side in this extremely expensive contest all come from the same cradle—the AEA!

Ted Schoeters,
149 Parkside Drive,
Exmouth, Devon.

UK business associations

From Dr W. Grant

Sir,—Your editorial (March 17) draws attention to the absence of a coherent structure of business associations in Britain in contrast with countries such as West Germany, an observation supported by the conclusions of the recent International Institute of Management project on industry associations in nine countries. Too many British associations had inadequate resources, and the system as a whole was characterised by overlapping responsibilities and even competition for members and influence.

The Devlin report did lead to the establishment of an advice centre to assist rationalisation, but it never received the resources or the support that it required to make an effective impact. The National Economic Development Office has helped to bring about rationalisations in a couple of sectors, and it may be that it should undertake a general review of how the system of business associations in Britain might be improved.

(Dr) W. P. Grant.
University of Warwick,
Coventry.

FINANCIAL TIMES
Friday March 20 1987

William Hall looks at a report warning against reliance on imported energy

Why US oil is on the road to ruin

THE DAY after the US Administration voiced its growing concern about the security threat posed by America's increasing dependence on imported oil, the House of Representatives voted to scrap a major energy conservation measure and raise the highway speed limit from 55 mph to 65 mph.

The coincidence underlines the shambles of current US energy policy. Just 12 months ago, Vice-President George Bush, a former Texas oil man, stumbled into a political minefield when he urged Saudi Arabia to help stabilise oil prices which had fallen below $10 a barrel.

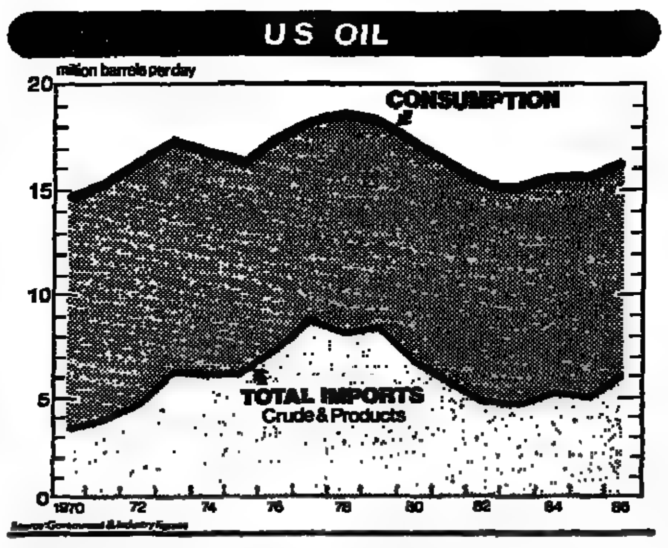
He was ridiculed for abandoning the US Administration's public stance that market forces alone should be allowed to determine oil prices.

Since then world oil prices have rebounded to above $18 a barrel, but if Mr John Herrington, the Energy Secretary, is to be believed, the Administration is more worried now than it was a year ago about the impact of low prices on the US oil industry, which for the greater part of this century has been the backbone of America's economic strength.

"The crisis in the domestic petroleum industry, an industry that is critical to our energy security, is taking an enormous toll and is creating serious problems for the future," says Mr Herrington in his foreword to the 350-page report Energy Security, released on Tuesday.

The report was commissioned by President Ronald Reagan last September in a bid to defuse criticism of the Administration's failure to help hard-pressed oil-producing states such as Texas and Oklahoma. It notes that US oil imports rose by 1m barrels a day to 5.3m b/d last year, while domestic oil production fell by 800,000 b/d and about 150,000 oil-related jobs were lost.

The study paints a grim picture of falling production, imports rising to more than half of consumption by the early 1990s, and an increasingly heavy reliance on oil from Saudi Arabia, Kuwait, Iran, Iraq and the United Arab Emirates which together control twothirds of the West's reserves.



The maturity of the US oil sector is underlined by the fact that it contains a mere 4 per cent of the world's oil reserves – although four times as many wells have been drilled in the US than in the rest of the world put together.

"While the collapse in oil prices benefits the general economy of the US at the moment, it threatens the vitality of the US oil and gas industry and poses risks to the economy in the future", says Mr Herrington, who warns that "the weakening of our domestic oil infrastructure holds the potential for significant and detrimental ramifications for our energy and national security, if action is not taken."

The challenge for policy makers is to find proper balance between relying on free and competitive markets, where they can exist, and taking appropriate, cost-effective action to ensure the nation's economic health and national security, says the report, which Mr Herrington describes as a "first step in focusing attention on this serious challenge."

The study does not make any recommendations, although it does go to considerable lengths to destroy the arguments in favour of a fee on US oil imports. The bulk of the report contains a review of the US and international energy markets and an analysis of the various policy options available and their potential impact.

Given that the US is the world's second biggest oil producer and the number one oil consumer, accounting for about a third of the West's oil consumption, the idea that the current administration was prepared to ignore what was happening to its domestic oil industry has always seemed rather odd.

Nevertheless, there was a time last year when tumbling oil prices promised faster economic growth and lower inflation, and the administration was reluctant to interfere with falling oil prices. This has now changed.

Many observers believe the report is more than a public relations gesture to the Administration's critics and marks a significant shift in official thinking towards the embattled US oil industry.

"This is the first time the Republican Administration has said there is a problem," said Mr Dan Yergin, an oil expert with Cambridge Energy Research Associates. He believes that, contrary to some early impressions, "a lot of intellectual horse-power" has gone into the report

Not everyone is so complimentary. The American Petroleum Institute said the report "somewhat understates the problem," and the International Association of Drilling Contractors (IADC) decribed the report as an "ivory tower document" that "only repeats established Administration positions that fall woefully short of the mark."

"What we need – and need now – is the immediate imposition of an oil import fee," Mr Ronald Tappmeyer, IADC president.

However, Mr Herrington says the Administration is firmly opposed to an import fee and estimates that a $10 a barrel fee would depress US economic growth by more than $30bn a year

Meanwhile, consumer advocates are attacking the Administration's energy policy from a completely different direction. They argue that while the Administration is working on ways to prop up US oil production, it is either ignoring or dismantling earlier administrations' efforts to conserve fuel.

Buyers Up, an energy information group formed in 1983 by Mr Ralph Nader, the consumer advocate, notes that the Administration has attempted to eliminate all energy conservation funding since it took office and has vetoed national standards for energy efficiency in home appliances.

It has also bowed to pressure from the Detroit car makers and relaxed fuel consumption standards on new cars.

Finally, it has been estimated that the old 55 mph speed limit saved 167,000 barrels of oil a day, worth $1bn a year.

Churchill's investment in BP pays off handsomely

By Max Wilkinson, Resources Editor, in London

"CRAZY!", opposition leader Mr Neil Kinnock said, describing the Government's plan to sell its 32 per cent holding in British Petroleum, announced on Wednesday night.

However, it was Winston Churchill in 1914 who first brought the company under state control with a 67 per cent holding, and it was the Labour Government in 1977 which ordered the biggest sale of BP shares.

This is not just a neat irony: it illustrates the essentially commercial nature of the Government's stake in Britain's largest company.

Winston Churchill, as First Lord of the Admiralty, wanted to secure supplies of heavy fuel oil for the Royal Navy from the Anglo-Persian Oil Company, as it was then called, which had discovered reserves in Persia six years earlier. This arrangement suited the company because it guaranteed a market for its product and provided a much needed £2m injection of capital.

As a part of the agreement, the UK Government gained the right to appoint two directors to BP's board, and through them to veto any of the board's decisions. However, the power of veto has never been used, and there is only one Government nominee on the board at present, Lord Barber, a former Chancellor of the Exchequer.

Now, Churchill's investment can be seen to have paid off handsomely. The shares still owned by the state are worth 2,400 times what the Government paid for its original stake, a handsome profit even allowing for inflation.

The company's emergence as the world's third largest oil major, and one of the strongest financially, owes much to the painful consolidation which got under way in 1981 when Sir Peter Walters became chairman.

This might perhaps be seen as the third broad phase in the company's development. The first was the pioneering discovery of crude oil in Persia and the Middle East with the development of marketing and refining, particularly in Europe.

Then after its Gulf assets were expropriated in the mid-1970s came a remarkably successful phase of expansion of reserves and production in the West.

BP was the first to discover gas and then oil in the North Sea, striking lucky with the Forties field in October 1970.

Only 18 months earlier it had made one of the West's most important discoveries at Prudhoe Bay in Alaska. This led to a deal which gave it control of Standard Oil of Ohio.

However, these spectacular successes, coming at a time when the oil price was soaring, began to pile up problems of success for BP. The high oil price and a world economic recession which both reduced demand for oil, while huge over-capacity in the refining industry caused big losses in the downstream part of the business.

Sir Peter realised at once the long-term danger of cross subsidisation from the crude production profits: he set about making all parts of the business profitable, starting with a major and painful reduction in refining capacity.

A similar hard-headed approach was applied to all other sectors. Each business was required to meet strict financial targets.

Sir Peter's decision to spend his energies in making BP leaner and fitter rather than joining some of his rivals in the search for spectacular acquisitions of oil companies now appears extremely wise.

It enabled BP to face the halving of oil prices last year with a very strong balance sheet and puts it in a good strategic position to take advantage of any distress of its competitors in a world of lower oil prices.

"We have almost a daily look at possible acquisitions," Sir Peter says, but clearly he is in no hurry to buy at present prices. Nor does he need to be.

He is even more sceptical about diversifying into non-oil businesses, first because he has little interest in any business which could not contribute £100m ($160m) in operating profit after 5 or 10 years, and second because of a sharp scepticism as to whether BP could outgun competitors in an unfamiliar business sector.

Nevertheless, the balance is sure to change as the reserves in the North Sea and Alaska start to run down. Exploration is likely to be maintained at about the present level after a sharp cut last year.

Market reaction, Page 12

THE LEX COLUMN

Not as prim as she looks

Britoil's patrician distaste for any manoeuvre which might put a more favourable gloss on its figures is as cle... as ever, despite all the brickbats. In reporting its most difficult year as a quoted company, Britoil has adopted new accounting policies which have the effect of adding over £200m ($320m) to previous year's earnings which nobody cares about, and reducing 1986 earnings by almost £50m. The result is to remove the earnings which would have covered the final dividend that the board now proposes to pay.

That very conservatism makes it slightly surprising that the company is prepared to pay an uncovered dividend. The decision must surely be in part the result of the very recent rise in the oil price to over $18. But the plan to spend on exploration this year only a third of last year's levels suggests a very limited form of optimism. The fact that Britoil is prepared to spend as much on dividends as on exploration suggests that it is more concerned with its shareholders' opinion than they might have thought.

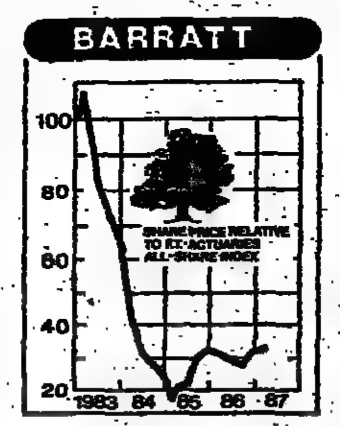
At 228p, up 6p, Britoil's shares yield around the 4.8 per cent offered by rival Enterprise Oil. But Enterprise's share price is at a premium to assets: Britoil's is at a hefty discount. Perhaps too much has been made of the fact that the Britoil golden share has no fixed redemption date. After the disposal of the entire state shareholding in BP, the remaining government link with Britoil will look much less permanent.

Barratt

While Barratt's at-a-glance record suggests that its recovery is well on track, the shares have won back little of the ground lost against the market in the plunge of 1983-84.

Even yesterday's news of a two-thirds rise in interim profits to £12.5m was greeted with a price fall of 13½p to 184p, admittedly in a miserable market. Despite the company's conversion to financial rectitude and promise of a return to peak profits and margins next year, Barratt's former followers have yet to embrace the new creed.

The doubters found plenty in the figures to justify their suspicions. Barratt is clearly having some difficulty selling houses profitably outside the booming south-east, while the green belt lobby is effectively slowing new development in the lucrative area.



The result was a decline in house sales when they should have risen. Inner city refurbishment work, now half the total, fills a gap but at low margins.

And though the self-discipline of keeping gearing down to 25 per cent is generally admired, when retained earnings are squeezed in the interests of a generous dividend the effect is to constrain volume, making it harder to increase margins.

The worry is that Barratt will make it back to 1983's £50m profit level just as the housebuilding cycle peaks. And a p/e of 9½ for the year to June 1988 is probably high enough to stop the shares.

MEPC/Oldham

Kleinwort Grieveson's appeal yesterday to MEPC shareholders not to assent at Monday's extraordinary general meeting to the bid for Oldham Estates contrasts rather oddly with a circular of the same date from Oldham's merchant bank.

Under its bland content there is the clear implication that control of the company is being sold at too low a price. It is conceivable that both utterances are wrong. But it is not possible that both are right.

With a share price at about a 20 per cent discount to assets it is very difficult for MEPC to make a non-dilutive acquisition. By a formula which enables it to buy Oldham's shares at the same discount, MEPC has solved that problem. It is this absence of a premium for control which concerns Schroders.

Kleinwort's remarks about the run-down nature of much of the Oldham portfolio, and its broad exposure to High Alumina Cement may well be valid, but these problems should be reflected in the recent valuation of the Oldham properties.

If not, MEPC can demand a new valuation. But it appears that Oldham's advisors are the more anxious for such an exercise.

The real problem for MEPC shareholders is the attitude of Mr Harry Hyams, who owns 30 per cent of Oldhams. The Co-operative Insurance Company's decision to keep Mr Hyams in ignorance of its negotiations to sell its 66 per cent stake in Oldham has probably guaranteed Mr Hyams' opposition to the terms of the bid.

If by the final closing date of April – Mr Hyams has not been given sufficient inducement – in the form of a revised offer – to assent his shares, then MEPC will be left in control of an unquoted company whose share capital it cannot increase and whose profits cannot be used to offset its own tax losses.

Then Mr Hyams can wait for a year until MEPC is permitted to offer him a higher price for his shares than the offer accepted by CIS. As for the MEPC shareholders, proxies appear to be coming in at about 500 to 1 in favour of the bid.

Williams

Williams Holdings has once again displayed why it is the City's favourite not-so-mini-conglomerate. The exceptional growth it has achieved with the help of its highly rated paper may slow down but the spread and strength of the acquisitions should ensure that there is no bubble to burst. Against performers – and communicators – in this class, Norcros may have trouble preventing Williams' small stake turning into a successful offer. But while William's financial statements reveal more than many from comparable companies, it is still near-impossible to track underlying growth and Williams has only avoided more critical examination because of its wise preference for agreed deals. Norcros is pre-emptively doing something about that by pointing out that Williams' net assets have shrunk by more than £20m since the LMI takeover thanks to write-downs and provisions – a policy which contributes to that 40 per cent return on capital.

VW losses write off celebration

Continued from Page 1

Then it will all be over. For Mr Hahn and his fellow directors decided regretfully that a grand celebration was less than appropriate in the circumstances.

For the VW workers, it is all rather sad. The stairs into the final assembly hall had been freshly painted yellow and black. Yesterday, the white entrance walls still had notices warning of fresh paint.

Mr Hahn will not be driven the few kilometres in the 50 millionth car to the VW museum to deliver his speech commemorating the historic occasion.

On the spot where he would have made his remarks is a menacing dark blue Scirocco sports car, a test model capable of 245kmh.

As for the fraud, VW is little nearer to solving the mystery of who, inside and outside the company, caused the currency losses and how.

UK bankers warn over plans to tighten tax on foreign loans

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

UK BANKERS are preparing to fight Mr Nigel Lawson's decision to tighten up the tax treatment of certain types of foreign lending in his latest budget. They claim that the Chancellor of the Exchequer's proposals will limit their ability to refinance Third World debts, and could harm London's position as an international financial centre.

A spokesman for the Committee of London and Scottish Clearing Bankers (CLSB) said yesterday that bankers were "dismayed and disappointed" by the decision. He said the matter had been discussed at yesterday's regular meeting of the chief executives of the UK major clearing banks, and that a response was being considered.

The bankers let their feelings be known as the Inland Revenue privately began to circulate a draft of proposed legislation to implement the tax changes. According to one banker who had seen it, the terms were "very severe".

Mr Lawson wants to limit the amount of tax credit that banks can claim for tax withheld by foreign governments on loan interest payments. At the moment, UK banks can apply the credit against all their profits; under the budget they would only be allowed to apply it to profit on the loan which gave rise to it.

Because much overseas lending by UK banks has been structured to take advantage of this, the elimination of the full tax credit could turn several billion pounds worth of profitable loans into loss-makers, though the shock will be cushioned by a 12-month transition.

Mr Lawson said his move was intended to end "the excessively generous" tax treatment of overseas lending, and bring the UK in line with practice in other leading financial centres. The CLSB has been invited to discuss the new legislation with the Inland Revenue, and the spokesman said "We shall be taking up that offer."

Although details of how the tax will be calculated have yet to be worked out, bankers say that it is already evident from the draft document that the changes will have a far-reaching impact on their international lending activities.

An official at NatWest, the largest of the clearing banks, said "Some loan proposals may cease to be attractive to us." He added that, if implemented, the new tax regime would put UK banks at a disadvantage to their foreign competitors, and would impose a heavy administrative burden.

The tax changes would cost leading UK banks several million pounds each, even merchant banks whose overseas lending is not as large as the clearers. Morgan Grenfell put the cost to itself at about £2m ($3.2m).

Time runs out for tax-spared loans, Page 32

Czech leader backs reforms

Continued from Page 1

dividual companies greater independence. Now he said the party was considering elaborating on the programme.

At one point, he also noted that the new economic experiment was not panacea for the country's problems. So far a few export-oriented companies have been given greater leeway to determine the goods they produce and how to sell them.

In his speech, Mr Husak stressed that his views reflected a "united stand" by the ruling party praesidium. Western reports of a split in the (highly orthodox) Prague leadership over the Soviet reforms were "fabrications", he said.

Record profits for Rolls-Royce

BY LYNTON MCLAIN IN LONDON

ROLLS-ROYCE, Britain's state-owned aero-engine company, reported record pre-tax profits of £120m ($192m) yesterday when it announced its last financial results before privatisation late next month or early in May.

The company, which is one of the best known names in British engineering and has been in government hands since its bankruptcy in 1971, has now improved its profits for three successive years. Last year's surplus represented a rise of 48 per cent on the previous year.

Sales of engines and components rose to £1.8bn, up more than 12 per cent on 1985.

Prospects for this year were "encouraging," Sir Francis Tombs, chairman, said yesterday, when he announced the preliminary results for 1986. "We are on a very solid profit basis," he said, "but there will be no profit forecast in the prospectus." The pathfinder prospectus for the offer for sale of shares is likely to be issued early next month.

The company and the government were keen to encourage a wide spread of shareholders, from private investors to institutions, Sir Francis said. The 42,000 employees in the company are to be offered 10 per cent of the shares for sale.

He refused to speculate on the likely value of the company as it comes to the market. The company's net asset value would be about £800m after debts have been written off.

Rolls-Royce will be offered for sale on the stock exchange with "zero borrowings," Sir Francis said. The Government has already agreed to write off the company's debts of £283m by buying equal shares in value to the money borrowed by Rolls.

Rolls-Royce has been negotiating a £250m loan facility covering the next five years, to cater for seasonal fluctuations in cash flow

World Weather

		°C	°F
Ajaccio	F	14	57
Algiers	F	18	64
Amsterdam	F	4	39
Athens	S	14	57
Bahrain	C	26	79
Bangkok	S	35	95
Barcelona	S	15	59
Beirut	S	16	61
Belfast	Sn	1	34
Belgrade	F	14	57
Berlin	F	6	43
Biarritz	C	9	48
Bombay	S	28	82
Bordeaux	C	10	50
Brussels	Sn	1	34
Budapest	R	5	41
B. Aires	S	33	91
Cairo	S	17	63
Cape Town	F	23	73
Caracas	C	27	81
Casablanca	C	17	63
Chicago	C	4	39
Cologne	C	3	37
Copenhagen	C	2	36
Corfu	F	13	55
Dallas	S	16	61
Dublin	C	4	39
Dubrovnik	F	11	52
Edinburgh	C	3	37
Faro	S	18	64
Florence	F	15	59
Frankfurt	Sl	2	36
Funchal	C	15	59
Geneva	C	10	50
Gibraltar	S	18	64
Glasgow	F	4	39
Guernsey	C	4	39
Helsinki	S	-2	28
H. Kong	C	25	77
Innsbruck	F	4	39
Inverness	C	1	34
Islamabad	R	18	64
Istanbul	S	7	45
Jakarta	C	33	91
Jersey	F	6	43
Jo'burg	C	21	70
Lima	S	26	79
Lisbon	S	13	55
London	S	6	43
Los Angeles	C	15	59
Luxembourg	F	-1	30
Madrid	S	13	55
Majorca	C	14	57
Malaga	S	19	66
Malta	S	16	61
Manchester	F	4	39
Manila	S	32	90
Melbourne	F	17	63
Mexico City	S	27	81
Miami	F	25	77
Milan	S	9	48
Montreal	S	2	36
Moscow	Sn	0	32
Munich	F	4	39
Nairobi	—	—	—
Naples	C	13	55
Nassau	—	—	—
New Delhi	S	27	81
New York	S	10	50
Nice	S	16	61
Nicosia	S	16	61
Oporto	S	13	55
Oslo	C	1	34
Paris	C	5	41
Peking	F	9	48
Prague	F	4	39
Reykjavik	F	-7	19
Rhodes	S	11	52
Rio de J'o	S	31	87
Rome	F	14	57
Salzburg	C	3	37
San Francisco	F	12	54
Seoul	R	5	41
Singapore	T	23	73
Stockholm	Sn	-2	28
Strasbourg	F	4	39
Sydney	F	27	81
Taipei	—	—	—
Tangier	F	16	61
Tel Aviv	C	18	64
Tenerife	C	19	66
Tokyo	R	12	54
Toronto	S	7	45
Tunis	S	18	64
Valencia	S	16	61
Venice	C	7	45
Vienna	F	4	39
Warsaw	F	5	41
Washington	S	3	37
Zurich	F	8	46

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Guinness seeking £5m

Continued from Page 1

said. "In litigation in the Jersey Islands (sic) and in statements to the press, the company has continued to publicly engage in an artificially mysterious international hunt for the money." Mr Ward's statement said.

Guinness wishes to establish the route and ultimate destination of believes that the money, which was passed through a tortuous network of offshore banks.

The payment of £5.2m was one of a series of suspicious payments relating to the takeover bid worth a total of £25m, which have been the subject of an investigation by the Guinness board since the dismissal of Mr Saunders.

Another £5.8m was returned by Mr Gerald Ronson, head of the privately-owned Heron Corporation, who said he had not focused on the legal implications of accepting the money. Two other companies have returned a total of £1.8m.

Among the outstanding payments still under investigation is one of £1.65m to Morgan Grenfell, Guinness' merchant bank during the takeover bid. The sum relates to services carried out after the bid, in particular in relation to the resolution of the "Risk affair" when Mr Saunders was appointed as chairman, overriding an earlier commitment to appoint Sir Thomas Risk. Guinness is disputing both the appropriateness and the size of the payment to Morgan Grenfell.

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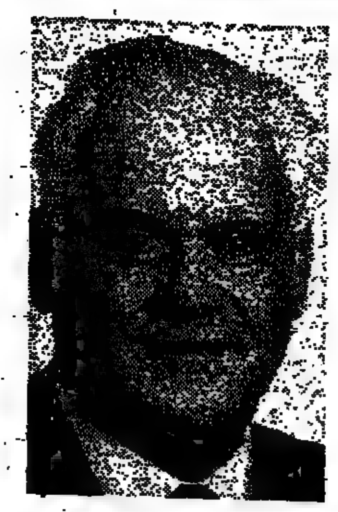
SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday March 20 1987



Mr Robert Staubli – expects 'at least' unchanged results

Swissair to cut payout

By John Wicks in Zurich

SWISSAIR, Switzerland's national airline is to propose a cut in dividend after a 5.6 per cent decline in 1986 net profits to SFr 64.5m ($42m).

The board is to recommend, at its April 30 annual general meeting, payment of SFr 33 a share, against SFr 38 in 1986. Shareholders will also be asked to approve a first-time payment of SFr 6.60 per participation certificate.

Mr Robert Staubli, management president, said Swissair expected to reach "at least" 1986 results during the current year.

Swissair's total revenues fell 7.4 per cent last year to SFr 4.03bn because of a 9.4 per cent deterioration in traffic income to SFr 3.16bn.

Gross profits dropped 11 per cent to SFr 340.5m, permitting slightly increased ordinary depreciation of SFr 276m, but no supplementary depreciation (1985: SFr 45m) and no staff bonus.

Mr Staubli said unfavourable exchange rates alone had led to a revenue erosion of some SFr 100m. This had been a result not only of the weak dollar but also because most European currencies had lost ground against the Swiss franc in 1986.

Last year had been further affected by "unforeseen traffic stagnation," with a slump in demand on individual routes. Mr Staubli attributed this to such factors as terrorism in Europe, the Chernobyl disaster, and the political situation in South Africa and the Middle East.

Swissair had failed to reach its goal of a profit on flight operations, having recorded a loss of SFr 60m in this sector. However, its "intrinsic financial substance was strengthened" as a result of lower world inflation rates and the fact that the cost of equipment had been reduced significantly by the dollar's decline.

The airline further realised SFr 68m from the sale of aircraft and spare parts in 1986 and showed higher overall earnings from non-flight operations.

The charter affiliates Balair and CTA had an "extremely successful year," Mr Staubli said. Swissair Associated Companies did not "meet objectives in all sectors," but its net profits rose SFr 2m to SFr 6.8m.

CHAIRMAN AND DEPUTY CLASH OVER FUTURE OF GERMAN NEWSPAPER GROUP

Springer racked by boardroom rift

Peter Bruce in Bonn reports on the bitter in-fighting now heading for a climax at West Germany's biggest newspaper publishing group, amid concern about heavy buying in London of the group's stock.

A FIERCE boardroom row at West Germany's biggest newspaper publishing group, the Axel Springer Verlag, is rapidly coming to a head amid concern about apparently heavy buying recently of Springer shares from London.

Mr Peter Tamm, Springer Verlag's chairman, and his deputy, Mr Guenter Prinz, have had a serious clash over the future of the group, with Mr Tamm's associates accusing Mr Prinz of trying to topple him.

Yesterday a senior witness to the in-fighting confirmed that "there are differences between the number one and number two men and everyone is making efforts to get them together."

Mr Tamm became chairman after the death in 1985 of the group's founder, Mr Axel Springer. Last year 49 per cent of the group was floated on the stock markets.

A south German printing and publishing group, F. F. Burda, owns 24.9 per cent of the stock and the Springer family 26.1 per cent. The hugely successful flotation, five times over-subscribed, raised DM 558m ($305m). In the first half of last year the group turned over DM 1.2bn.

However, Mr Tamm has apparently incurred the wrath of both Mr Prinz and the family Burda because of heavy losses at SAT 1, the country's fledgling private television network. The Burda group pulled out of SAT 1 last autumn.

Until now, however, SAT 1 has been prisoner to the German Bundespost's expensive but poorly marketed cabling programme. Up to last week regional government leaders agreed to give SAT 1 a channel on a new direct broadcasting satellite due to be launched in August, and the network's fortunes are likely to improve.

At the same time, Mr Prinz has been the prime mover behind the launch this month of a new colour magazine, Ja, the future of which is not yet secure and which could fail, weakening him.

Mr Prinz is chiefly responsible at Springer for traditional media, including the mass circulation Bild newspaper, which sells about 5m copies a day.

With time pressing, there are fears among Mr Tamm's supporters that a mystery buyer of Springer shares may be about to combine with the Burda group to try to topple him and install Mr Prinz as chairman.

People close to the Burda family were yesterday denying reports that the Burdas had met with Mr Rupert Murdoch, the Australian media magnate, in the US last December.

In any case, the removal of Mr Tamm would be complicated and could be effected only by the group's nine-member supervisory board, on which all major shareholders, Springer executors and the Deutsche Bank have seats.

A crisis meeting last weekend between one of the executors, Mr Bernhard Servatius, Mr Frieder Burda and the co-chairman of Deutsche Bank, Dr F. Wilhelm Christians, apparently decided to continue efforts to heal the rift between the two top executives.

By late yesterday afternoon there had been no decision to call a full supervisory board meeting – a move which would probably end in a vote for or against Mr Tamm.

It was difficult yesterday to establish how many shares had been bought through London in the past two weeks.

One person close to the company said he had been "surprised" at the buying because the shares, at around DM 650 each, are expensive and, because of the strict conditions under which they were floated by the Deutsche Bank, only around 5 per cent are thought to be easily available.

The supervisory board would have to agree to the sale of more than 10 per cent of Springer shares.

Nobel Industries advances by 54%

By Kevin Done, Nordic Correspondent, in Stockholm

NOBEL INDUSTRIES, the Swedish chemicals and armaments group, increased its profits last year by 54 per cent, and the company yesterday forecast a further "slight improvement" in 1987.

The group is at the centre of a political storm in Sweden and is under investigation for illegal arms smuggling to countries in the Far East and the Middle East including Iran.

Nobel Industries said yesterday that group turnover rose 5.9 per cent to SKr 11.59bn ($1.8bn) from SKr 10.88bn in 1985.

The concern, controlled by Mr Erik Penser, the foreign-based Swedish financier, boosted its profits after financial items to SKr 461m from SKr 300m in 1985. It is planning to increase its dividend to SKr 3.50 compared with SKr 2.85 for 1985.

Operating profits were slightly lower in 1986, but group earnings were helped by a big jump in financial income to SKr 381m.

The main improvements in operating earnings were shown by the Bofors ordnance division and the adhesives and paints division while speciality chemicals and chemicals and explosives both showed clearly lower profits.

Nobel Industries incurred SKr 240m in extraordinary costs in 1986 including SKr 198m for the closing down of Bofors Nobel in the US. This was partly balanced by extraordinary income of SKr 146m from the sale of property, and the disposal of the group's electronics division and its holdings in Components and Nitro Nobel.

More international company news on Pages 28, 30, 32 and 47

SGS more than doubles deficit at year-end

BY ALAN FRIEDMAN IN MILAN

SGS, the Italian state-owned microchip manufacturer which may be merged with the semiconductor division of France's Thomson group, is understood to have suffered a loss last year of $50m, more than twice the $20m deficit of 1985.

The widening loss was the result of the continuing shake-out in the world microchip market. SGS made the loss on 1986 sales of about $375m, up from $306m the year before. The company has not yet made an official announcement of its 1986 results.

In the current year SGS sales are expected to climb to about $450m, and the company's loss is expected to be halved.

It is understood that the SGS 1986 loss before interest was equivalent to 3 per cent of total turnover. The company's total indebtedness is around $250m.

Stet, the Italian state-holding company which controls SGS, has been negotiating for several months with Thomson to create a joint holding company which could eventually merge Thomson's semiconductor manufacturing activities with those of the Italian company.

The board of Stet is understood to have discussed the merger project last Friday. No firm decision is likely to be taken on the matter at government level in Italy until after the country's political crisis has been resolved. It has been learnt, however, that progress is being made in the Stet-Thomson talks.

Thomson last year derived around $302m of turnover from the European semiconductor market, where its share was 5.6 per cent, according to Dataquest. SGS, meanwhile, had $244m of European turnover and 4.5 per cent of the market.

The merger of Thomson's semiconductor activities and SGS would create Europe's second-largest semiconductor company in terms of turnover after Philips. Thomson ranks as Europe's fifth-largest and SGS as Europe's sixth-largest semiconductor manufacturer.

Holland American ahead

BY LAURA RAUN IN AMSTERDAM

HOLLAND AMERICAN Lines, the Bermuda-based cruise and tour operator, raised profits by 76 per cent to $44m in 1986 from $25m the year before thanks to its travel and tourism division.

Earnings per share rose a more modest 22 per cent to $72 from $59 due to a big increase in the number of shares outstanding.

Cruise and tour operations were boosted by American tourists who remained at home for their holidays instead of going abroad. Holland American Lines operates cruises in the Caribbean and off the north-west coast of America. It also runs tours in the US and Canada.

Revenue rose 13 per cent to $304m from $263m on higher occupancy rates on cruise ships. The products and services groups contributed to the higher turnover but made a more modest contribution to overall profitability.

The group expects 1987 to be another good year but said that the high profits of last year might not be maintained.

The company was founded in 1873 in Rotterdam to ferry European immigrants across the Atlantic to the US and was made into a trust in 1977.

Biggest-ever US bank merger agreed

BY WILLIAM HALL IN NEW YORK

FLEET FINANCIAL and Norstar Bancorp, two fast-growing regional banks, have announced the biggest banking merger in US history, creating a new "super-regional" bank which in terms of stock market capitalisation will rank among the country's top 10 banking groups.

Rhode Island-based Fleet Financial and Norstar, based in up-state New York, agreed to combine in a "merger of equals."

The deal, which has been approved by the boards of both groups, is structured so that Fleet acquires Norstar by issuing $1.3bn of new shares.

The merger is the latest in a series by US banks and reflects the rapid consolidation which is taking place as the legal barriers that have hitherto prevented banks from operating in more than one state are steadily dismantled.

Under Rhode Island law, barriers to interstate banking activity in the New England states will be removed on July 1 1988.

Until Wednesday's transaction the two biggest banking mergers were Wells Fargo's $1.08bn acquisition of Crocker National Corporation in February 1986 and Chemical New York's $1.19bn acquisition of Texas Commerce Bancshares last December.

Although neither Fleet Financial nor Norstar is a well-known name in the international financial community, they are two of the best performing regional banks – a factor which has been reflected in a stock market capitalisation which overshadows many of their bigger and less profitable rivals.

Ten years ago, Fleet was a relatively small banking group with assets of $2.9bn and earnings of $22.8m. However, its earnings have grown at a compound rate of 20 per cent a year as the group has expanded into many non-traditional banking areas such as mortgage banking, venture capital and data processing.

In 1986 it earned $136.7m on assets of $11.7bn. Norstar earned $104.8m on assets of $11.1bn.

Based upon 1986 financial returns, the combined Fleet/Norstar Financial Group will have assets of $22.8bn.

On pro-forma return on assets of 1.22 per cent it will rank second, and 13th in terms of its equity capital of $1.5bn.

Under the terms of the agreement, each Norstar shareholder will receive 1.2 shares of Fleet common stock.

Klöckner-Werke to cut 4,000 steel jobs

BY PETER BRUCE IN BONN

KLÖCKNER-WERKE, one of West Germany's big four steel producers, is planning to shed 4,000 jobs by the end of 1988 in an effort to stem losses in its steel division.

Dr Herbert Gienow, the group's chairman, said about half the 4,500 jobs at the Maxhütte works in Bavaria would go in order to make the plant more competitive.

Announcing a 1985-86 group operating profit of DM 45.2 ($24.6m), a DM 11.4m improvement over the year before, Dr Gienow said that all Klöckner-Werke's works would be affected by new job cuts.

All the other major West German steelmakers – Thyssen, Krupp and Hoesch – have already announced big lay-offs in an effort to combat a decline in Western European steel prices since summer last year.

Maxhütte, which makes constructional steels, needed to be able to compete with smaller European mills doing the same thing, Dr Gienow said. The lay-offs are bound to anger the Bavarian government, which has spent much of the past year "guaranteeing" workers' jobs at the plant.

Klöckner Stahl, the steel division, made a DM 26.2m operating loss during the year, a slight worsening of its previous performance. The job losses will reduce total manpower in the steel division to 11,000.

However, the group's efforts to diversify away from steel, and specifically into a range of packaging and plastics machinery products, do appear to be paying off. The operating profit in the non-steelmaking divisions was DM 71.4m, up nearly 30 per cent. The group did not repatriate profits from foreign subsidiaries.

Dr Gienow also said Klöckner-Werke had renegotiated its DM 1.8bn bank debt which had been converted into long-term debt of between five and 10 years.

US stores group hit by charges

By Our Financial Staff

CARTER HAWLEY HALE, the Los Angeles-based department stores group, had its earnings almost completely eroded in its latest year by special charges, largely relating to its efforts to stem off persistent bid attempts by The Limited, an Ohio retailer.

Attributable earnings for the year to January slid to $4.2m – less than a 10th of the previous $48m. This reflected debits of $25m deriving from a recapitalisation programme backed by General Cinema, its largest shareholder, as well as further write-offs which stemmed from debt retirement and accounting changes.

As part of the reshape, Carter Hawley is planning to spin off its speciality stores under Neiman-Marcus, which would gain a separate listing.

Net operating profits were flat to lower at $47.6m, on sales which moved up from $3.98bn to $4.09bn. After deducting outlays on preference dividends, a per-share loss of $1.27 was incurred, compared with earnings of 92 cents.

For the fourth quarter alone, the weight of the one-off charges pushed Carter Hawley $24.2m into the red, or a $1.58 deficit per share, contrasting with profits of $18.9m, or 58 cents a share, in the previous comparable period. Sales were $1.34bn against $1.32bn.

● May Department Stores, another large US retailer, boosted net profits in its January year by just under 10 per cent to $381m from $347m, or $2.44 a share, against a restated $2.20. Revenues grew from $9.54bn to $10.38bn

For the final three months earnings advanced to $213m compared with $195m, on a gain in turnover to $3.37bn from $3.12bn. May, which last year took over Associated Dry Goods for some $2.5bn, said: "Our expansion schedule is on track."

Belgian glass group recovers

By Jeffrey Brown in London

A STRONG recovery from losses and a return to dividend payments is reported by Glaceries de St Roch, the big Belgian glass group

Against a net loss in 1985 of BFr 109.5m ($2.9m), the company has turned in a net profit of BFr 840.4. It plans a dividend of BFr 75 a share, its first payment since 1979.

Turnover last year improved BFr 11bn, up from BFr 10.34bn in 1985. St Roch said all divisions had managed to show an improvement, notably the West German operations.

Gemina eyes insurer

BY ALAN FRIEDMAN IN MILAN

GEMINA, the Milan-based holding company whose major shareholders include Fiat, Mediobanca and Pirelli, is understood to be close to acquiring majority control of the Intercontinentale group of insurance companies.

Gemina said yesterday it was unable to comment on the acquisition, but analysts in Milan said the price was likely to be around L200bn ($154m).

Intercontinentale, which has until now been controlled by Mr Giuseppe Cabassi, a property developer, had group premium income of L406bn ($312m) last year. At the group level Intercontinentale ranks as Italy's eighth-largest insurer (in terms of premiums).

The Gemina holding company, in which Fiat has a 29.5 per cent shareholding and effective control, has been seeking to acquire an insurance business for some time.

Gemina, which is run by Mr Cesare Romiti – who is also Fiat's group managing director – has developed a portfolio of financial, publishing and industrial interests since selling out a key equity stake in the Montedison chemicals group 18 months ago.

Gemina owns 82 per cent of the Rizzoli-Corriere della Sera publishing company, as well as shareholdings in factoring, fund management, tyre, telecommunications and metal processing companies.

London and Northern bid battle erupts

BY NIKKI TAIT IN LONDON

A NEW BID battle broke out yesterday over the beleagured construction, health care and energy group, London and Northern, when Evered Holdings, the acquisitive industrial conglomerate headed by the Abdullah brothers, unleashed its widely predicted offer for the company.

The Evered bid values L and N at £99.1m – £9m more than the previous unwanted offer from Demerger Two, which envisaged splitting the group into four companies and refloating them individually. The demerger bid finally lapsed last Monday.

Evered's offer comes less than 24 hours after the L and N board agreed to recommend new demerger proposals to shareholders. These envisage a three-way split for the group following a £20m capital injection.

Yesterday, L and N rejected the Evered bid as unsolicited and said it saw no commercial rationale in combining the two companies. The demerger and capital injection plan, it added, would still go ahead.

However, to be successful the refinancing proposals need approval from holders of 75 per cent of L and N's shares. Yesterday Evered raised its stake from 20.2 per cent to around 22 per cent and said it would vote against the capital injection scheme.

Associates of Demerger Two, which is backing the new demerger scheme, also increased their holding in L and N yesterday to around 9 per cent. L and N directors control around 3 per cent of the shares.

Under the Evered offer, L and N shareholders are offered two Evered shares for every five L and N. With Evered shares down 17p at 223p yesterday, that values each L and N at 89p.

A cash alternative of 86p a share is being underwritten by Evered's advisers, Robert Fleming. This compares with the 81p a share cash offer by Demerger Two, which was eventually recommended by most L and N directors in the face of "disappointing" profit expectations for 1986.

They remained consistently hostile to the demerger paper terms.

L and N added 4½p to 84½p yesterday.

Valéo set to take over Chausson units

By Paul Betts in Paris

VALEO, the French car components group under the management control of Mr Carlo De Benedetti, is expected to takeover the radiator, car cooling and heating systems business of Chausson, another French car components concern jointly owned by Peugeot and Renault.

The merger would form a major industrial grouping in this sector with combined annual sales of FFr 3.3bn ($540m). It would make Valéo the leading European car components group in the sector, with 45 per cent of the European market for radiators and engine cooling systems and 30 per cent for cooling and heating systems in car interiors.

Details are to be announced to the two companies' central work councils next week. Financial details have so far not been disclosed.

Valéo and Chausson have long envisaged such a merger to create a group with the necessary economies of scale to compete internationally. The latest talks accelerated the last few weeks since the arrival of Mr Noël Goutard as Valéo chairman.

Mr Goutard was appointed by Mr De Benedetti, who last year acquired management control of Valéo after a controversial takeover bid for the group.

Deutsche Babcock to lift payout as profits rise

BY DAVID MARSH IN OBERHAUSEN

DEUTSCHE BABCOCK, the West German engineering and machine tools group, plans an increased dividend for the current 1986-87 business year as a result of improved earnings, according to Mr Helmut Wiehn, the chairman.

The group, which is recovering after several difficult years and widespread restructuring, registered consolidated net profits of DM 39.1m ($21.4m) for the year to September 30 1986, after DM 32.1m in 1984-85.

Turnover for 1985-86 was hardly changed at DM 5.1bn compared with the previous year. It is also expected to remain stable in 1986-87.

The group blamed a 46.7 per cent fall in sales for the first five months – to DM 1.3bn from DM 2.4bn in the year-ago period – on irregular booking patterns.

Mr Wiehn said the company should be able to pay a "double-figure" dividend in percentage terms on its nominal DM 50 shares for 1986-87. He indicated that this would amount to DM 5 per ordinary share compared with DM 3 on ordinary shares and DM 3.50 on preference shares paid out for each of the past three business years.

Deutsche Babcock, in which Iran sold its 25 per cent stake last month, is mounting a DM 330m capital-raising operation through a rights issue next week. Mr Wiehn said the issue would provide a sufficient boost to the group's capital resources to back its international plant business.

The new shares will rank fully for the 1986-87 dividend.

The company has now become West Germany's leading maker of key environmental protection equipment. It has a 30 per cent share of orders placed by West German utilities for equipment to reduce sulphur dioxide and nitrogen oxide emissions from fossil-fired power stations and has also built up business in areas such as water purification.

With 23 per cent of turnover in the pollution control field, Babcock now represented "an environment equity," Mr Wiehn said.

Rothmans eyes targets in US

BY BERNARD SIMON IN TORONTO

ROTHMANS International's 71 per cent-owned Canadian subsidiary is poised to make a large acquisition aimed at broadening the British tobacco group's North American horizons.

Mr P. J. Fennell, president of Toronto-based Rothmans Inc, said the company would have C$250m (US$191m) in cash to spend on a takeover, after the recently announced sale of its 50 per cent stake in the Carling O'Keefe brewing group and the amalgamation of its Canadian cigarette business with Benson and Hedges.

Carling is being sold to the Australian group Elders IXL.

Setting out the criteria for a takeover target, Mr Fennell said the British parent "would like to see activity in the US and would not like us to think narrowly in terms of Canada."

Businesses in the packaged consumer goods field which would capitalise on Rothmans' marketing and distribution strengths were among the most attractive targets. The company was likely to make its move within the next year.

The Canadian company has undergone sweeping changes since Mr Fennell took over as chief executive in June 1985 in an effort to staunch declining market share

By initiating a fierce cigarette price war last year and merging with Benson and Hedges, Rothmans has raised its market share in Canada from 20 per cent to 32 per cent.

INTERNATIONAL COMPANIES and FINANCE

The national airline is among companies due for privatisation. Mervyn de Silva reports

Sri Lanka on way to shedding state groups

A PRIVATISATION unit will be set up soon in Sri Lanka's Ministry of Finance and Planning to study which state corporations and other government-owned businesses should be sold off and to what extent these should invite foreign equity participation.

The move follows a law passed recently by parliament enabling the ministry to convert into public companies 24 state-owned commercial enterprises taken over under the Business Acquisition Act passed in 1971 by the left-inclined government of Mrs Bandaranaike.

Besides these undertakings, the privatisation unit will inquire into the viability of several large state corporations, according to Mr Ronnie De Mel, Finance Minister. Top of the list are Air Lanka, the state flag carrier, as well as corporations for shipping, cement, building materials, steel, textiles and ceramics. Together they have taken Rs 15bn ($521.7m) in foreign loans and owe more than Rs 4bn to the two state banks, Bank of Ceylon and Peoples Bank.

The World Bank-sponsored aid group meets in Paris in June and the minister hopes to raise about $500m. The Government has also applied to the International Monetary Fund for loans amounting to $240m. Both institutions have been severely critical of substantial Treasury advances to inefficient state enterprises.

The latest World Bank report noted that such advances have now been extended to non-manufacturing enterprises—Air Lanka, the Transport Board and the Urban Development Authority were named. The report also describes the Finance Ministry's expenditure control as ineffectual. The privatisation plans form part of the response to this by the aid-dependent Government.

President Jayawardene has initated preliminary negotiations with SAS, the Scandinavian airline, to reorganise Air Lanka and a special presidential commission is investigating

Mr Ronnie De Mel: inquiry into viability of companies

the affairs of the airline. SAS is reported to have recommended that the government shareholding should not exceed 40 per cent. If SAS is to undertake a recovery operation, as it did with Thai Airways, it is expected to insist on nominating the chairman and a majority of the board.

This week the Treasury released Rs 230m in response to Air Lanka's request for Rs 380m to meet loan commitments. The balance will be advanced next month. In the past five years, the Treasury has given Air Lanka Rs 5.6bn to repay foreign debts which are government guaranteed. Some Rs 1.2bn was allocated for Air Lanka in the 1987 budget, a sum just enough to service debts and maintain its present fleet. A US consultancy firm has reported that the corporation's main problem is under-capitalisation.

Among other rationalisation moves, the Government has already closed a urea factory of the Fertiliser Manufacturing Corporation which cost Rs 2bn and incurred losses of Rs 1bn a year.

According to Mr De Mel, the project was originally approved despite his protests that a urea factory based on Naptha as raw material was "senseless in a non-oil producing country with today's oil and gas prices" he said this was an example of how the politics of public spending prevail over commonsense economics.

An easy avenue of employment for party supporters, the ambitions of "empire-building" ministries and the prospects of highly paid jobs for political favourites are attractions which outweigh strict financial considerations.

Some 17 companies have none the less responded to an international tender by the Industries Ministry. The ministry is keen to restart the urea factory, which can manufacture 300,000 tonnes of fertiliser a year.

At the same time, President Jayawardene has appointed a committee to report on privatisation of telecommunications. Cable and Wireless, Bell Canada and a Japanese company were in the running for the contract when the Government decided to appoint the committee.

United Overseas Land returns to profits

BY STEVEN BUTLER IN SINGAPORE

UNITED OVERSEAS LAND, the listed property arm of the United Overseas Bank in Singapore, moved back into the black in 1986, with a group after-tax profit of S$8.5m (US$4m) compared with a S$21m loss in 1985. Group turnover rose by 51 per cent to S$78.8m.

UOL's return to profitability, however, does not yet indicate any strong recovery in the property market. Rather the company said that 1987 would be another difficult year for the property and hotel industry. Although property prices appear to have bottomed out, they are unlikely to rise substantially, and the rental market remains weak.

The accounts included a write-back of S$13.8m for provisions taken earlier due to the diminution of value of quoted investments. This measure reflects the strong recovery of the Singapore stock market in the past year.

● Net profits at Singapore's Overseas Union Bank group, one of the island's big four, last year plunged by 66.5 per cent to S$11.5m (US$5.37m). The decline was caused mainly by an exceptional loss of S$24.3m due to fraud which it had earlier disclosed, at its Hong Kong main branch.

Discounting the exceptional loss, profits at the bank fell by 7.8 per cent to S$31.4m, while group profits rose by 4.7 per cent to S$35.8m.

The directors are recommending that the final dividend be omitted.

John Fairfax marginally ahead midway

By Our Financial Staff

JOHN FAIRFAX, which earlier this year lost to Mr Rupert Murdoch in the battle for Australian media supremacy, yesterday reported interim net profits barely ahead at A$25.94m (US$17.83m) compared with A$25.35m.

This result was reached, however, before the inclusion of A$89.32m in extraordinary gains arising from a capital dividend paid to the group by Australian Associated Press. This followed the sale of AAP's Reuters B shares. Fairfax's own interim dividend is up from 5 cents a share to 5.5 cents.

Interest outgoings in the six months to December 28 dipped by a sixth to A$11.6m but are forecast to jump again in the second half following the A$320m acquisition of HSV-7, the Melbourne television station which Fairfax secured as consolation prize in the January contest for ownership of Herald and Weekly Times.

Fairfax said TV operating costs rose at a faster rate than revenues, but the Sydney Morning Herald and its other newspapers performed well. Turnover rose 11.8 per cent to A$453.28m.

● Coles Myer, Australia's largest retailing group, boosted first-half net profits 16.7 per cent to A$130.94m on sales 11 per cent higher at A$5.97bn.

The company is deferring declaration of an interim dividend until July because of pending charges to dividend tax imputation by the federal authorities. In the previous period 8 cents was paid.

Japan curbs foreign trust banks

BY IAN RODGER IN TOKYO

A DECISION by the Japanese Ministry of Health and Welfare (MHW) to continue excluding some foreign trust banks from management of its pension funds has caused an angry response.

The ministry confirmed yesterday that the nine foreign owned trust banks in Japan would not be offered a portion of the Y200bn ($1.32bn) to be placed next month by the Pension Welfare Investment Fund, an institution which handles the pension funds of public sector workers.

The ministry said the foreign trust banks had not yet accumulated enough experience in Japan to be entrusted with pension funds. The nine were all given licences in 1985 and by the end of last year had accumulated funds of Y576bn. By contrast, the seven Japanese trust banks had Y80,203bn in funds at the end of 1986.

Mr Robert Binney, senior vice-president of Chase Manhattan, said that the Ministry should consider the banks' worldwide experience. "Clearly our experience in Japan is not that long, but we have been in the trust banking business for 40 years and feel we can bring an expertise that Japanese trust banks do not have."

FOREIGN TRUST BANKS IN JAPAN
Funds at December 1986 (Ybn)

	Tokkin	Fund trusts	Pension
Morgan Trust	0	40	1
Japan Bankers Tst	227	18	9
Chase Manhattan	26	2	0
Cititrust	33	27	0
Manufacturers Hanover	16	1	0
Chemical Tst	38	27	0
UBS	1	9	0
Credit Suisse	38	20	0
Barclays Trust	23	20	0
Total	402	164	10

Mr Robert Sharp, president of Manufacturers Hanover Trust Bank, agreed, saying that the foreign trust banks were bringing a lot more to Japan in terms of good pension fund practice than they were taking out.

Mr Michael Tomalin, general manager in Japan of Barclays Bank, said that now Japanese pension funds were more interested in investing abroad, they would need the foreign trust banks, which had much more experience.

Mr Osamu Toba, president of Morgan Trust, said he suspected that the real reason for the exclusion was that the Japanese trust banks did not want more competition.

Mr Dennis Ferro, president of Japan Bankers Trust, by far the biggest foreign trust bank in Japan, said that he remained hopeful that some foreign trust banks would be offered a portion of the Y500bn to Y1,000bn that the MHW plans to allocate this summer.

Mitsubishi Electric helps Akai

BY YOKO SHIBATA IN TOKYO

MITSUBISHI ELECTRIC of Japan is to unify its domestic audio business with that of Akai Electric, in an attempt to beef up Akai's audio sales.

Mitsubishi is the lossmaking Akai's largest shareholder with some 7.7 per cent, and has been assisting in a restructuring. It will now assume responsibility for marketing and service, and Akai will take over development and production. A joint statement said Mitsubishi will transfer its research and development divisions for video cassette recorders, compact disc players and digital audio tape recorders to Akai.

Mitsubishi will market the products but itself continue to produce audio products such as loudspeakers and car audio equipment which Akai does not make.

Akai will be able to sell products through Mitsubishi's 5,000-store domestic network. Akai, now heavily dependent on exports, plans to reduce its export ratio to 70 per cent from the current 85 per cent by doubling domestic sales.

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Notice of Mandatory Partial Redemption

EUROPEAN ECONOMIC COMMUNITY

U.S. $65,000,000 14¾ per cent. Bonds due April 20, 1993

NOTICE IS HEREBY given that in accordance with clause 4(a) of the Bonds, US$9,250,000 principal amount has been drawn for redemption at their principal amount, through the operation of the mandatory sinking fund, on the next Interest Payment Date being 20th April, 1987, when interest on the Bonds will cease to accrue.

Principal amount outstanding after such redemption will be US$55,750,000.

The serial numbers of the US$1,000 Bonds drawn for redemption, are as follows:—

[illegible]

The Serial Numbers of the US$10,000 Bonds drawn for redemption, are as follows:—

16	168	259	325	427	594	754	834	957	1048	1168	1306	1353	1479	1543
79	210	292	330	438	627	755	864	993	1067	1183	1317	1356	1483	1549
106	223	298	355	483	652	797	878	1002	1144	1210	1320	1379	1491	1553
130	233	301	415	512	698	799	880	1017	1146	1222	1342	1435	1517	1559
140	240	307	422	532	736	808	889	1025	1154	1236	1346	1469	1527	1593

1599	1648	1794	1930	2059	2240	2334	2615	2676	2745	2880	2953	3028	3152	3216	3300
1600	1710	1836	1987	2099	2252	2382	2619	2683	2795	2884	2990	3047	3158	3239	3311
1613	1730	1855	1999	2132	2257	2433	2640	2696	2799	2906	2991	3068	3165	3250	3397
1633	1772	1857	2045	2178	2262	2523	2669	2699	2819	2916	2998	3132	3186	3269	3411
1641	1778	1875	2046	2193	2319	2524	2670	2737	2824	2939	3017	3147	3202	3298	3412

3431	3526	3623	3759	3829	3974	4002	4105	4232	4342	4437	4493	4701	4769	4902
3457	3530	3635	3790	3897	3983	4032	4106	4256	4354	4442	4580	4705	4778	4915
3494	3540	3663	3796	3900	3987	4050	4177	4277	4401	4451	4661	4709	4788	4927
3519	3547	3705	3806	3925	3995	4089	4204	4305	4415	4454	4666	4711	4841	4933
3520	3601	3747	3820	3932	4001	4098	4228	4314	4431	4464	4692	4723	4864	4978

Accordingly, on 20th April, 1987 the Bonds so designated for redemption will become due. Repayment of principal will be made upon presentation of the Bonds with all unmatured coupons attached at the offices of any one of the Paying Agents listed below.

Paying Agents

Bankers Trust Company
Dashwood House,
69, Old Broad Street,
London EC2P 2EE

Bankers Trust Company
Corporate Trust and Agency Group
Four Albany Street
New York
NY 10015

Banque Indosuez Belgique
rue des Colonies 40
1000 Brussels

Banque Indosuez Luxembourg
39 Allée Scheffer
Luxembourg

Bankers Trust A.G.
Dreikoenigstrasse 6
CH-8022 Zurich

Accrued interest due on 20th April, 1987, will be paid in the normal manner against presentation of Coupon No. 6, on or after 20th April, 1987.

Bankers Trust Company, London
20th March, 1987

Agent Bank

David Lascelles and Stephen Fidler on bankers' anger at a UK Budget move

Time runs out for tax-spared loans loophole

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, has poked a hornet's nest with his decision in Tuesday's Budget to alter the tax treatment of foreign loans made by banks resident in the UK.

Although the claims made by angry bankers—that his proposals will throttle foreign lending and possibly even damage London's status as a financial centre—may be exaggerated, the measure is nevertheless bound to affect the economics, and therefore the volume, of foreign lending from the UK.

The precise impact will depend on the technicalities of the legislation now being drafted, and how strict its terms turn out to be compared with those of competing financial centres in other countries.

Altering method

Mr Lawson is proposing to alter the method by which banks can credit against their UK profits any tax withheld by another country on loan interest payments.

In the past, banks have been able to apply the tax credit to any of their UK profits. In future, they will be able to apply it only to profits from the loan in question. Since these profits are usually quite small, most of the tax credit will go to waste.

UK banks have used this relief to make billions of pounds of loans at reduced rates, effectively sharing the benefit with the borrower. In addition, banks have made so-called "tax spared" loans, where no withholding is actually made, but where the UK authorities deem that it is. This effectively grants a tax concession to subsidise the cost of lending—in practice mainly to Third World countries like India, Pakistan, South Korea, Singapore and Malaysia.

Such borrowings have been used with good effect in competitive financings, including a number of Airbus contracts. Some bankers have expressed the view that since large aircraft orders depend heavily on competitive financing, contracts may be jeopardised.

Conscious that the UK might change the law, bankers have included in most tax-sparing loans a clause which allows the automatic resetting of interest margins if there is a change in tax regimes. However, there has been borrower resistance to these clauses and they may have been dropped for competitive reasons on some loans. It is also questionable how commercial the fall-back interest rate would be.

But not only tax-sparing loans are affected. The profitability will be reduced and probably wiped out on all loans to countries in which withholding tax is applied. These include all the large debtor nations of Latin America, Nigeria, as well as countries like Australia and Japan.

Potential loss-makers are those loans where the return has been negotiated with the borrower on a gross basis before the payment of withholding tax. Since receipts here are often below the banks' cost of funds, the margin of profitability previously depended on the UK tax breaks.

Some bankers see it as a potential complicating factor in a number of major reschedulings for Third World borrowers. "It seems a strange move to make at this time, particularly since it is yielding so little to the Exchequer," said one banker. "It will affect the readiness of banks to make new loans to LDC (less developed countries)," said another.

FOREIGN LOANS OF UK-BASED BANKS ($bn)

December 1985	172.8
March 1986	178.6
June 1986	181.3
September 1986	184.1
December 1986	187.5

(External claims of UK monetary sector and financial institutions on non-banks abroad. Includes certain securities holdings.)

Source: Bank of England

Depending on how the new regime is applied, it could force UK banks to charge about 1 percentage point more on their foreign loans to recoup the lost tax credit. The key factor is how the Inland Revenue calculates the profit on a loan.

According to draft legislation being circulated in the City, "just and reasonable" costs will be allowed, which most bankers take to mean that the Revenue will set London inter bank offered rate (Libor) as the cost of funding a loan. But the mathematics are notoriously complicated because loans are often funded from a constantly changing pot of money, rather than from a single identifiable liability.

As for the impact on London's competitive position, Mr Lawson claimed that his measures would bring the UK into line with the practices of other countries—thereby implying that UK banks would not suffer a competitive disadvantage, but only lose an advantage. To some bankers, however, this claim has a hollow ring.

US banks have never been involved in tax-sparing loans, but the US tax treatment of withholding tax now appears to be more favourable than the UK position, according to some tax experts. Countries such as Belgium, France, Luxembourg and those in Scandinavia still allow tax benefits; Belgium has encouraged the establishment of subsidiaries by foreign banks expressly to book loans.

Some countries are also said to allow benefits to be carried forward from one year to another, or to be applied against all the profits from a particular country.

Because of this, UK banks may be looking further afield to book their loans. "UK banks would be wise to consider whether it would be better to book loans at some of their overseas subsidiaries rather than in London," said a tax expert at one of the UK clearers. (Midland, for example, would continue to get tax breaks on such loans booked through its French subsidiary.)

Outside the UK institutions, there is less concern. UK tax breaks do not appear to have encouraged many foreign banks to book loans in London, with US institutions, for example, usually preferring to use New York's international banking facilities to book what modest new business there is around.

Well prepared

However some bankers believe Mr Lawson now feels that London's position in the financial world is so pre-eminent that it no longer needs to offer tax advantages to attract business.

Although the banks are preparing to challenge the detail of Mr Lawson's proposals if not the whole concept, they may not make much headway. This is the second time that the Inland Revenue has tried to plus what it sees as an important tax loophole, and it has prepared its case carefully: one official is said to have been working on it full time since 1982, when it was last tried. In terms of tax equity, this may be the correct move, but there could still be political fall-out if it turns out to have a wider impact.

Traders consolidate recent Eurosterling sector gains

BY CLARE PEARSON

EUROSTERLING issues were still proving popular with lead managers in the Eurobond market yesterday, although that sector of the market was in a consolidating mood after the sharp gains of recent days.

The first of yesterday's issues was a £75m 17-year deal for MEPC, which came hot on the heels of an issue for another UK property company, Land Securities, on Wednesday.

MEPC's issue, however, incorporates a partly-paid feature. This feature is popular with investors because it enables them to take advantage of any interest rate falls in the near term, while they do not have to pay the full amount for the bond for three months.

The 9¾ per cent bond was priced at 99¾ per cent (of which 25 per cent is payable in April, and the balance in July), to give an initial yield net of fees of 109 basis points over the comparable gilt.

It traded at discounts close to the full fees. Meanwhile, Land Securities' £100m deal fell a bid price of less 2¼ to issue price.

Cheltenham and Gloucester Building Society made its debut in the Eurosterling market with a £50m five-year 9¼ per cent deal led by Union Bank of Switzerland (Securities). It was priced at 101¼.

The terms were set in anticipation of further price improvements in the sterling market, and the issue was generally considered aggressive by the market yesterday. Nevertheless, it was being supported at a discount equivalent to the total fees yesterday.

Baring Brothers meanwhile led a £40m 15-year deal for DRG, the paper and packaging group. The company has been rumoured as a possible takeover bid target for Bunzl, another UK paper company. On Wednesday it had announced pre-tax profits for the past financial year up £10m at £41m.

INTERNATIONAL BONDS

Yesterday's issues carries an indicated coupon of 6 to 6¼ per cent. The conversion premium is indicated at 10 to 15 per cent. It traded at 100 bid, the level of its issue price.

In a generally quiet Eurodollar market, Nomura International led a $150m five-year deal for Nomura International Finance, its UK banking subsidiary. The issue was of deeply subordinated debt (although it carries an unsubordinated guarantee from Nomura Securities) and was designed to boost the borrower's capital base.

Nomura International syndicated the deal without any Japanese co-managers, to make sure that it would be traded actively in Europe. The 7¼ per cent bond, priced at 101¼, ended the day bid at less 1.20 to issue price—comfortably within fees. This provided a yield spread of 35 basis points over US Treasury bonds.

Merrill Lynch Capital Markets led a C$50m three-year issue for Hamburgische Landesbank Girozentrale. The 8½ per cent issue was priced at 101⅛. Bank of Tokyo International led a C$120m seven-year 8½ per cent issue for Bank of Tokyo (Curacao) Holdings, priced at 101½.

WestLB led an A$50m five-year 14½ per cent issue for WestLB Finance, priced at 101½.

Banca Commerciale Italiana led a L70bn three-year 10½ per cent issue for Volvo the Swedish motor group, priced at 100½.

In the DM sector, prices on most outstanding issues rose by up to ½ point, following on from yesterday's firmer trend. Good demand was seen particularly for some 10-year supranational issues.

A Danish crown issue launched on Wednesday for Danish Industry Finance was increased from DKr 300m to DKr 400m. The five-year issue carries a coupon of 11½ per cent and a price of 100½. It was quoted well within its 1½ total fees discount, around less one.

Japan syndicate widens access

BY YOKO SHIBATA IN TOKYO

JAPANNESE SECURITIES houses are understood to have decided to increase the share foreign brokers have in a syndicate underwriting 10-year government bonds.

Foreign securities companies together account for only 1.19 per cent—that is 0.07 per cent each—of the government bonds underwritten by the syndicate's securities houses group.

The 17 foreign securities houses' share will be increased to 5.73 per cent. This will be allocated to existing members and six other foreign brokerage houses which are joining the syndicate. At the same time, banks will give a 0.2 per cent share to securities companies.

The current arrangement for government bonds gives the bank syndicate member 74 per cent of the combined underwriting of each issue, leaving only 26 per cent for the securities houses, including the foreign members.

Foreign securities firms, particularly Salomon Brothers and Merrill Lynch, have been pressing the Japanese securities houses to raise their share of the securities group to at least 5 per cent.

The Ministry of Finance wants local houses to accommodate the foreign members' requests, in an attempt to avoid friction with the US.

However, the securities houses are unhappy about the current arrangement and are pressing the ministry to consider an auction system for long-term government bonds.

The US has been urging Japan to switch to such a system from the underwriting syndicate, for 10-year government bonds. These issues account for the biggest slice of government debt paper.

However, the MoF remains reluctant to switch to auctions, fearing that it could lead to less stable coupons.

In response to US pressure, however, the ministry plans to adopt an auction system for six-year government bonds this autumn.

MAI arranges $100m multi-option loan facility

BY STEPHEN FIDLER

MAI, the UK financial services and advertising group, has mandated S. G. Warburg to arrange a $100m multiple-option facility which will allow it to restructure some current bank loan arrangements.

The facility incorporates a five-year committed back-stop facility and an uncommitted tender panel. Under it the company will be able to draw advances in dollars or any freely available currency.

The back-stop carries a facility fee of 7.5 basis points, a margin of 15 basis points and a utilisation fee of five basis points if underwriting banks are called on to provide more than 30 per cent of the facility.

McCarthy and Stone, a quoted UK company which owns and operates retirement and sheltered homes, has signed a £100m multi-option facility to provide working capital for planned UK expansion over the next three years.

The facility, arranged by National Westminster, incorporates a £70m committed elements from a group of international banks.

Royal Insurance makes its debut in Euro-D-Marks

BY HAIG SIMONIAN IN FRANKFURT

ROYAL INSURANCE, the largest UK insurance group, has made its debut in the Euro-D-Mark bond market with a DM 300m issue, led by Commerzbank. The five-year, 5¾ per cent bond in the name of Royal Insurance Finance, is priced at par.

Royal Insurance owns 20 per cent of Aachener and Muenchener, West Germany's fifth largest insurance company which is due to launch a DM 1.34bn rights issue to help finance its purchase of a controlling interest in Bank fuer Gemeinwirtschaft, West Germany's 10th largest bank.

The UK insurer has said it will take up its rights, which will involve an outlay of about DM 268m. It is believed the bond, has been issued for this purpose. The bond was trading very strongly yesterday at between less ½ and less ¼.

Aachener and Muenchener is planning to allot DM 44m to issue new bearer shares, which Royal Insurance intends to take up. These shares will be financed partly by the proceeds of the bond issue and partly from internal sources.

Italian banks nibble at a UK market

By Alan Friedman in Milan

THE ITALIANS are coming . . . to London's certificate of deposit (CD) market, that is.

A series of six CD issues totalling $150m, is planned for some of the smallest and most obscure Italian banks—institutions which none-the-less represent some of the more prosperous provinces of Northern Italy.

A CD programme is due to be signed today for up to $20m for Banca del Monte di Parma, Italy's 135th ranking bank which is based in the rich agricultural heartland of Emilia Romagna, about 100 miles south of Milan.

Like other small banks in the area, Monte di Parma has no foreign branches, but it does have total assets of around $769m and a cheese ware house which stores tens of thousands of wheels of Parmesan—good collateral in banking terms.

Parma is the capital of the famous cheese, as well as being the centre of a thriving prosciutto industry.

The idea of offering CDs in London for such relatively tiny Italian institutions, is "to bring these small banks to the international capital markets in order to lower their average cost of funding," explains Mr Remy Cohen, a director of Euromobiliare, the Milan investment bank acting as London dealer on the issue along with Samuel Montagu.

Monte di Parma, with its 15 branches, may not be Citibank, Mr Cohen admits, but it has solid backing from agro-industrial clients in its native province.

The same will be true, he claims, for other small Italian banks which Samuel Montagu and Euromobiliare plan to bring to London. These will include banks from Brescia in Lombardy—where the main businesses are steel and egnineering—Pistoia in Tuscany (textiles) and Bologna (light industry, car components, ceramics).

The issue of CDs for these small Italian banks is expected to save the institutions something like ¹⁄₁₆ of a point against the cost of interbank funding. Given the size of the banks, that is a saving worth seeking.

As for the bankers arranging the deals, they can always pay a visit to their clients in the Italian heartland, which makes a pleasant change according to Euromobiliare's Mr Cohen.

"At the Banca del Monte di Parma," he recalls, "they give pieces of cheese instead of fountain pens at loan signings."

Stock futures trade postponed by Osaka

THE OSAKA Stock Exchange has put off indefinitely the start of stock futures trading, scheduled for April 6, Our Tokyo Staff reports.

Mr Hiroshi Yamauchi, president, said the delay was because the Diet will not enact a bill to cut the stock exchange tax by March 31.

The exchange had planned to launch the stock futures contracts on April 6 in anticipation of the bill being enacted.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9½ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom 7⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Expr. OS Cr. 5⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark, Kingdom 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden, Kingdom 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden, Kingdom 5⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

DIVIDEND CUT LESS THAN CITY ANALYSTS HAD FEARED

Britoil earnings tumble to £33m

Britoil, the largest UK independent oil company, yesterday caused widespread relief in the City by announcing a smaller cut in its dividend than many analysts had feared.

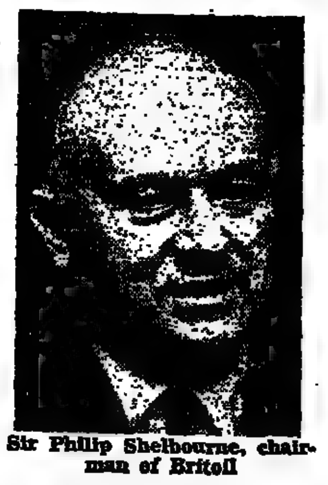
The final is reduced by a third to 6p, leaving shareholders with an 8p total for 1986.

The better-than-expected payout was matched by a stronger profit performance than generally forecast, and a positive statement about the current year. The shares closed 8p higher at 228p. Net income fell from £253m to £33m, although both figures were restated to reflect an unexpected change in accounting policy.

Sir Philip Shelbourne, chairman of Britoil, said 1986 had been "a difficult and disappointing year" for the company as a result of the fall in the oil price.

He said, however, that Britoil "had come through it remarkably well," noting that exploration and investment in major projects had continued, and that the company's financial base and balance sheet were strong.

"Provided the recovery in oil prices is maintained, the conditions will be right for substantially improved performance in 1987," he said.



Sir Philip Shelbourne, chairman of Britoil

During 1986 the average price received per barrel of oil fell from £21 in 1985 to £10.50, and consequently turnover fell by 48 per cent to £978m, while profit before tax dropped to £134m from £759m.

The 1986 figures contain an exceptional charge of £12m which covers the cost of the heavy redundancies made last year in response to the fall in the oil price.

The charge was almost exactly balanced by a gain of £11.4m, which was a payment made to Britoil by Scott Lithgow for the late delivery of a drilling rig.

An extraordinary charge of £50m was a result of the decision to dispose of the company's US assets — these are likely to fetch considerably less than their book value.

Britoil said yesterday that the accounting changes, which bring its conservative accounting policies more into line with those used by other oil companies, had reduced 1986 net profits by £47m.

The changes concern the assessment of depreciation and other provisions, and the calculation of Petroleum Revenue Tax. As a result, provisions were reduced by £60m, and PRT increased by £107m.

During the year production of crude oil declined fractionally to 66m barrels, while gas production rose from 86bn cu ft in 1985 to 97bn cu ft.

For the first time, Britoil published a new reserves figure designed to give a more realistic picture of the company's assets.

These include volumes of oil and gas which can be expected to be developed, rather than just those for which development approval had already been given.

The redefinition adds some 147m barrels of oil to put the total at 603m barrels, and 2,246bn cu ft of gas to produce total reserves of 3,568bn.

In 1986 Britoil suffered a cash outflow of £267m. This was after tax payments of £419m and capital expenditure of £376m.

The company increased its borrowing facilities during the year to $550m (£344m). It said that at year-end these were far from fully used, and that gearing was just over 20 per cent.

Last year exploration expenditure was down from $156m to $87m in the North Sea, due in part to the need to conserve cash.

Britoil said that there would be a further sharp fall in UK exploration this year, which would be partly offset by a rise in exploration overseas.

See Lex

Woolworth talks with Underwoods break down

By Christopher Parkes

THE ON-OFF merger talks between Woolworth Holdings and Underwoods, the London chemists chain, broke down yesterday. Neither company would comment on the reason for the failure, beyond issuing a brief statement on the "amicable" end to negotiations.

However, it is understood that Woolworth's, the High Street and out-of-town retailing group, refused to pay the high price demanded for the 46-shop chain.

Talks were interrupted earlier this month when a leak prompted a rapid rise in Underwood's shares. Despite the publicity, the news that the chemists' business was "in play" failed to attract any counter bids.

The Underwoods share price tumbled as the news came out, falling 34p to close at 216p. Woolworth's moved down 12p to 809p.

Woolworths is still looking for other businesses to graft on to its existing mainstream operations in variety retailing, electrical goods and do-it-yourself.

Part of the reason is to use space freed by the rationalisation programme which is transforming its High Street stores.

It recently bought a small chain of car parts and service outlets to build into its increasingly specialised retailing business.

Barratt gathers pace with 67% midway rise

PROFIT RECOVERY continued at Barratt Developments, and for the six months ended December 31 1986 the housebuilding group lifted its pre-tax figure by nearly 67 per cent.

Sir Lawrie Barratt, the chairman, believed that the action taken over the last two and a half years had reinforced the inherent strength of the group.

From a turnover of £186.6m, against £213.7m which was enhanced by US land sales, the group made a pre-tax profits of £12.5m, compared with £7.5m, after unchanged interest charges of £4.2m. Earnings were 4.8p (2.8p) and the interim dividend is raised to 2.54p (2.31p).

Since the peak £50.3m of 1982-83, the group had made profits of £35.6m, £4.1m, and £25.4m.

The group's debt was just under £60m, representing a gearing of 25 per cent which was in line with policy.

The chairman said the UK private housebuilding market continued to reflect the economic "north south divide." The south-east accounted for 40 per cent of turnover.

Completions fell from 3,700 to 3,300 houses in the period, but an increase from £35,000 to £42,000 in the average selling price meant that revenue from that sector was virtually unchanged.

There were delays in bringing four sites on stream mainly because of planning hold-ups; but for that it was envisaged that a further 500 homes would have been built.

Sir Lawrie said the changing emphasis of the product mix towards the second-time and subsequent purchaser continued. In the first half sales to first-time buyers were 40 per cent and by the end of the year that should be further reduced to 30 per cent.

Half of the group's work was for Inner City refurbishment in conjunction with local authorities and housing associations.

Turning to the American operation, Sir Lawrie said profitability continued to improve and good demand was being experienced. New developments would contribute to the second half.

Profit for the period came to £1.3m and was entirely attributable to house sales, whereas the comparative six months produced £800,000 which was mainly the result of land sales.

See Lex

Investing in Success restructures

"Investing in Success" Equities, the investment trust now controlled by Pantida Capital, plans a four-for-one scrip issue and is raising £300,000 by the issue of warrants.

Net asset value increased to 1,012.5p (703.4p) in the year to January 31 1987. IIS recommends a final dividend of 4.78p (4.48p) to make a total of 6.04p (5.74p), from earnings of 6.51p (6.71p).

Shareholders will be offered one warrant at 5p for every five shares held after the scrip issue. Each warrant, expiring on April 30 1992, gives the right to subscribe to one share at the NAV on April 28 of this year.

ASAM-DOOARS Holdings: Profits for 1986 £543,130 (£613,673) pre-tax. Earnings per share 40.37p (45.92p) and dividend 9p (same) net. Extraordinary debit £68,862 (£168,432).

A. CAIRD & SONS' profit for the six months ended December 31 1986 £118,000 (£12,000) including extraordinary income of £108,000. There is no interim dividend.

LWT hits 810p as profits double

BY ALICE RAWSTHORN

LWT Holdings, which operates the weekend television franchise in the London area, watched its shares soar by 108½p to 810p yesterday on the announcement that pre-tax profits doubled from £6.13m to £12.7m in the first half.

The television advertising market was extremely buoyant in the second half of 1986 and LWT's growth outstripped that of the ITV network as a whole.

Whereas network revenue increased by 18 per cent in the interim period, LWT's rose by 28 per cent. Revenue growth from Channel 4, at 43 per cent, was faster than that of ITV1, at 23 per cent.

"We have had an outstanding first half," said Mr Christopher Bland, LWT's chairman. "Our revenue grew faster than that of the other five 'major' stations and we achieved a record share of revenue for the current franchise period."

In the six months to January 25, 1987, turnover rose to £97.73m (£73.81m). Exchequer levy required £6.19m (£3.43m) and taxation £5.08m (£2.65m). Earnings per share rose to 43.25p (18.61p). The board plans to pay an interim dividend of 10.2p and a final of 15.2p.

Page & Moy, the travel business in which LWT has a 70 per cent stake, fared well and was chiefly responsible for receipts from minority interests of £233,000 (£302,000). Page & Moy should be floated later this year.

Century Hutchinson, the book publisher 25 per cent owned by LWT, also progressed, benefiting from Kingsley Amis' winning the Booker Prize with The Old Devils.

"The second half has begun well," said Mr Bland. "We cannot expect such heady growth as in the first half, but we are very cheerful about the prospects for the year."

● COMMENT

The secret of the surge in LWT's profits is simple enough. Television companies with their hefty overheads and fixed costs fare extraordinarily badly when revenue falters, and extraordinarily well when it revives. If revenue races ahead, as it has in the last six months or so, the contribution to profits is disproportionately high. That said, even the most optimistic analysts were astounded by this set of results and forecasts have been hastily upgraded to £20m for the full year. LWT is still scouting about for acquisition opportunities, within television both in the UK and overseas. Moreover it will pay the price for its success next year when the growth in share filters through to IBA rentals. But television has become one of the trendier sectors in the last year or so and this set of results seems set to be the best of the batch. Thus a prospective p/e of 11.5 seems undemanding.

BOARD MEETINGS

TODAY

Interims: Minerals and Resources Corporation, Zambia Copper Investment.

Finals: Enterprise Oil, George Ingham, The Times Veneer.

FUTURE DATES

Interims:

UDO Holdings ..... Mar 30

Finals:

APV ..... †Apr 21

Ash and Lacy ..... Apr 7

Bank of Scotland ..... Apr 22

Breedon and Cloud Hill Lime ..... Apr 3

Candover Investments ..... Mar 24

Edinburgh Investment Trust ..... Apr 21

Halstead (James) ..... Mar 30

Laidlaw ..... Apr 9

North Midland Construction ..... Apr 1

Rockwood ..... Mar 24

Rohan ..... Mar 24

Wood (Arthur) (Longport) ..... †Mar 24

† Amended

Marler lifts halfway

Marler Estates, the property company at the centre of the London football merger row, yesterday reported that its interim profits for the six months to September 29 1986 had increased sixfold to £474,000 from last year's £82,000.

Since the end of the period, Marler has acquired Queen's Park Rangers football club for a sum which it now says was £4.5m. That sum was paid for an 81 per cent interest making the club's total worth £5.8m.

After abandoning its attempt to merge QPR with Fulham, Marler is now negotiating to redevelop the latter's Craven Cottage ground and sell the club and players.

The group has also agreed to purchase shares and loan stock in Ecobric, a demolition and engineering company, in a deal worth £1.1m which will give it a controlling interest.

Property sales of £1.57m were made in the first half and a subsidiary, International Business Centres, was sold for £1.38m to Breverleigh Investments.

The net asset value at the last balance sheet date was £4 per share but the shares closed last night at 915p.

Local London bids £40m for Standard Securities

Local London Group, the property developer which came to the Unlisted Securities Market last September, is to double its size through a £40m recommended bid for main market property investment company, Standard Securities.

The bid, 48 shares in Local London for every 100 Standard, has irrevocable acceptances from directors, family trusts and one major shareholder, Intca Internationale Credit Ansalt, in respect of 48.3 per cent of Standard shares.

Norwich Union, which owns a further 15.6 per cent, has also indicated that it will accept.

There is a cash alternative of 250p, underwritten by Samuel Montagu.

Yesterday, Local London shares shed 50p to 570p, valuing each Standard at 273p under the paper terms, and the entire group — including convertible shares and options — at £40.2m. Standard rose 13p to 253p.

The Local London offer follows previous discussions between Standard and an undisclosed Antipodean company, which finally proved abortive last January.

That, according to Standard's chairman, Mr Gerald Leigh, "led to a lot of interest" and "the value of the Local London offer is such that directors felt that it should be accepted."

At the end of September, Standard's property portfolio was valued at around £39m and net tangible assets per share were put at 216p. It made pre-tax profits of £1.87m in 1985-86.

Lonrho to press for new Fraser takeover inquiry

Lonrho shareholders were told yesterday that the group will continue to press for a fresh investigation into the 1985 takeover of the House of Fraser by the Al Fayed brothers.

On Wednesday a High Court judge refused permission for a judicial review of the failure so far of Mr Paul Channon, Trade and Industry Secretary, to decide whether to refer the takeover to the Monopolies and Mergers Commission.

But Sir Edward du Cann, chairman, told the group's AGM that this did not mean the end of the matter.

"We are invited by the courts to apply for judicial review if there are further unreasonable delays; and this we shall do," said Sir Edward.

In 1981 Lonrho was stopped by the Monopolies and Mergers Commission from bidding for House of Fraser. Four years later the group was cleared to make a bid but it came three days after the Fraser board had recommended acceptance of a bid from the Al Fayed brothers.

To applause from Lonrho shareholders who filled the Great Hall at the Grosvenor House hotel in Park Lane, Lone, London, Sir Edward said: "Sooner or later the whole truth about this matter will have to come out. I have no doubt that this decision against us in 1985 will in the end haunt those who made it, and were so wrong to do so."

At the meeting, the motion to receive the directors' report and accounts for the year to September 1986 went to a card vote after three shareholders said questions they had asked about the accounts had not been properly answered.

Mr Paul Spicer, a director of Lonrho, said last night that a Mr Robin Potts had asked for the poll. He represented 10,000 shares held by Midland nominees which had been brought before the meeting by House of Fraser.

DIVIDENDS ANNOUNCED

Assam-Dooars	9	Apr 25	9	9	9
Barratt ......int	2.54	May 29	2.31	—	8.12
Britoil	6	—	9	8	13
Church	7	May 11	6	9.5	8.5
T. Clarke	1.99	—	1.81	2.7	2.31
Consultants Computer	‡1.3	May 29	0.55	2	0.75
Delaney Group	1.8	May 4	1.6	2.7	2.4
Glentree	‡0.3	—	—	0.3	—
GR Holdings) ......int	1.6	May 7	1.6	—	7
S. R. Gent ......int	0.855	May 11	0.5	—	0.5
House of Lerose	6.4	June 8	5.4	9.4	8.4
HTV ......int	3.2	—	2.8	—	8.5
IFICO ......int	†1	Apr 28	1	—	1.5
Investing Success ...	4.78	Apr 29	4.48	6.04	5.74
Interlink Express ...int	‡2.35	Apr 24	—	—	—
Legal General	6.5	—	5.83*	9.75	8.17*
LWT (Holdings) ...int	10.2	—	5.69	—	16.15
McLaughlin Harvey ...	5	May 21	5	7	7
Moorgate Group	1.83	end May	1.4	1.83	1.4
Octopus Publishing ...	7.09	May 29	4.59	9.79	6.75
Pleasurama	7.75	—	5.75	9.75	7.5
Refuge Group	10.75	May 11	9.25	15.75	13.75
Schroders	10.5	—	7.75*	18.5	10.75*
Spong Holdings ...int	0.3	Apr 30	—	—	—
Stocklake ......int	3	—	3	—	12
Superdrug	3.5	—	3	5.8	5
Town Centre Secs ...int	0.4	—	0.4	—	1.1
Walter Duncan	20	—	15	20	15
Western Dooars	6	Apr 28	6	6	6
Williams Hlds	9	June 9	8	14	8
W. Yorks Hos ......int	‡1.5	July 1	1.5	—	4

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock

UK COMPANY NEWS

Fast-expanding Williams hoists profits to £23m

BY CLAY HARRIS

Williams Holdings more than trebled pre-tax profits from £6.3m to £22.9m in 1986, a year in which it continued to add to its diversified industrial portfolio. Earnings per share doubled to 45p (22.4p).

The company tried to dampen speculation, meanwhile, that it was about to launch a hostile takeover bid for Norcros, the packaging and building products group.

Williams' 2.2 per cent stake in Norcros was unchanged, according to Mr Brian McGowan, managing director. "We have a number of investments in listed companies and we shall be keeping to our policy of not commenting on them," he said yesterday.

Turnover more than doubled to £206.1m (£100.9m) last year as Williams bought Fairey Engineering, Duport and London and Midland Industrials for a total cost of £160m.

Consumer and building products account at present for 40 per cent of Williams' profits, with 26 per cent from specialist engineering, 14 per cent each from aerospace and the US and 6 per cent from vehicle distribution.

"All these businesses are cash-positive, some spectacularly so," said Mr Nigel Rudd, chairman. Williams' net borrowing was £11m at year-end, and it is on course to be in a net cash position before the end of the first half.

RESULTS BY ACTIVITY

	Turnover (£m) 1986	Turnover (£m) 1985	Trading profit (£m) 1986	Trading profit (£m) 1985
Consumer/building products	53.6	—	8.0	—
Specialist engineering	50.0	13.9	7.2	1.7
Aerospace/industrial	33.9	21.6	4.0	2.0
Vehicle distribution	46.1	39.3	2.0	1.2
North America	13.7	7.8	1.2	0.8
Businesses sold	8.9	18.3	(0.3)	1.2
Total	206.2	100.9	22.1	6.9

Williams was well placed to take advantage of the buoyant consumer products market, said Mr Roger Carr, director responsible for US operations and post-acquisition management. It also plans to acquire additional specialist engineering businesses to put into Fairey.

So far this year, Williams has combined the garage, conservatory and greenhouse activities of Banbury and Compton, both acquired with LMI. It is adding new Porsche/Rolls-Royce, Saab and Maserati franchises to its chain of low-volume, high-margin dealerships.

In November, Williams sold 21 subsidiaries, some of which were beginning to show losses. "The demands these businesses made on central management was out of all proportion to the contribution they could make to the group," Mr McGowan said.

An extraordinary charge of £4.87m (£53,000 credit) reflected the resulting write-down of the assets sold.

Also sold was Andover, a US protective clothing maker, bought as part of LMI. The Schnitzer distribution group, also in the US, was making "an acceptable but not exciting return," after cost-reduction measures, according to Mr Carr.

"The rest of the businesses were, and are, extremely sound and profitable," he said. Williams has created a North American division, run by an operations director based in Boston.

After net interest costs of £1.07m (£586,000), tax of £4.7m (£1.6m) and minorities of £121,000 (£46,000), attributable profit rose to £18.1m (£4.7m). A 9p final dividend will make a total of 14p, against a single final payment of 8p for 1985.

Williams shares added 10p to 738p, giving the company a market value of £347m.

See Lex

Superdrug advances 18% to over £12m

AGAINST A background of intensive competition in the High Street, Superdrug Stores, operator of retail drugstores, lifted pre-tax profits by 18 per cent from £10.36m to £12.26m in the year to February 28 1987. The fourth quarter result showed a 29 per cent jump to £3.36m.

Turnover increased by 23.5 per cent from £164.29m to £202.91m, excluding VAT. New stores produced a 14.5 per cent (15.25 per cent) growth in turnover, while existing stores accounted for 9.5 per cent (8 per cent). Own label products accounted for 34 per cent of sales.

The company pointed out that the Northern Regional Distribution Centre was still operating at less than half capacity, but was already producing productivity gains for the whole company.

In the early part of the current year, Superdrug will pass the 300 store landmark and the company said it was well placed to continue its expansion programme with over 50 new stores planned to open in the coming year.

Stated earnings per 10p share for 1986-87 were 21.19p (18.58p) and the final dividend is 3.5p net for a total up from 5p to 5.8p.

Net attributable profits came out ahead at £7.44m, against £6.51m, after net interest payable of £659,000 (£102,000 receivable) and tax of £4.82m (£3.85m). Dividends absorb £2.04m (£1.75m).

• comment

Boots is making life tough for the High Street drug stores and its competitiveness has led to 0.5 per cent fall in prices. Analysts are convinced that this pressure will lead to one of Boots' competitors falling by the wayside or being taken over. However, the City is equally convinced that this will not be Superdrug. Its existing stores are showing 8.5 per cent growth, double some competitors' levels, and the increased trading margins now flowing through from the new northern distribution centre appear to ensure a continuation of the circa 30 per cent rising trend. This year Superdrug is likely to fall just a bit short of £16m and the shares at 492p are trading on a prospective p/e of almost 18. A premium to the sector of one-sixth appears overdone and at this level the upside looks limited.

Non-casino side helps Pleasurama

A 13 PER CENT increase to £42.3m in pre-tax profit for 1986 is announced by Pleasurama, which operates in the leisure industry. Shareholders get a dividend rise of 30 per cent and a one-for-one scrip issue.

Group turnover rose 20 per cent, from £160m to £192m, while the trading profit was almost static at £39.1m (£38.4m). However, a £2m increase to £4.2m in interest received and other income, backed up by a cut in interest charges to £1.2m (£4.8m), more than offset a reduction in associates' contribution to £200,000 (£1.7m) following the sale of those interests.

Earnings for the year grew from 25.3p to 31.1p, and the final dividend is 7.75p for a 9.75p net total (7.5p).

The directors reported that the established casino interests performed creditably in a somewhat difficult year. But they considered the outstanding feature to be the strong advance, both absolutely and relatively, in the non-casino operations which were becoming an increasingly important contributor to trading profit.

They saw that trend continuing in coming years. Their objective was to ensure that the company was the best balanced and most profitable leisure group based in the UK.

Apart from casinos and amusement machines, the group runs coach based holidays, hotels, leisure parks and discos.

● comment

The roulette wheel spun less than kindly last year for Pleasurama. Terrorist scares discouraged the high rollers from the London casinos; the chairman and chief executive left just after the year end in a row about acquisition policy. In the end, the increase in pre-tax profits owed much to the turn round in the interest position. Although the new managing director Warren Tuddenham is keen to emphasise his urge to expand the non-casino business, the return of the big spenders should cause London casino profits to recover the 15-20 per cent drop they suffered in 1986. But the growth hopes for the future lie in the potential synergies between the expanding leisure interests—amusement machines that can go in fun pubs, coach holidays that can stop at the recently acquired Norscot Hotels. This year, with the help of more hotel acquisitions, the pre-tax profits should hit £51m putting the shares at 376p, up 8p, on a prospective p/e of 12.

W. Yorks Hospital profit up 21%

In the half-year to December 31, 1986 the Bradford-based West Yorkshire Independent Hospital lifted its pre-tax profit by nearly 21 per cent, from £261,000 to £315,000. Revenue rose by 22 per cent to £1.6m.

Day patients increased by 27 per cent and the number of in-patients grew by 7 per cent. The average occupancy rate was 71.7 per cent, compared with 67.7 per cent last time. That high occupancy level (the key to profitability) augured well for the future, said Mr Trevor Lewis, chairman.

Overall progress, he said, encouraged prospects for another highly satisfactory year.

The interim dividend declared by this US-quoted company is held at 1.5p net. For the year ended June 30 1986 the total was 4p from profit of £611,000.

Expanding Rexmore raises £2m

Rexmore, Liverpool-based fabrics supplier, is raising £2.1m net by an offer to shareholders and a conditional placing of 4.44m new ordinary shares at 51p each.

The shares have been conditionally placed with institutions, but under the terms of an offer to be made by Charterhouse Bank, shareholders will have the right to subscribe for all of the shares.

The money raised will help Rexmore increase its growing investment in specialist areas of the timber trade and textile distribution. Both of these areas have produced significant increases in turnover and profits this year and further progress is confidently expected.

Last November, Rexmore reported interim profits up 27 per cent to £398,000. This improvement has been sustained and the company is forecasting a full year figure to the end of March of not less than £750,000 (£604,000).

Extraordinary charges totalling some £230,000 are also forecast for the year, these being in respect of losses arising from discontinued activities. Over the past few years, Rexmore has completed its policy of disposing of its major manufacturing operations and transferring its resources into further distribution and retail business where it is felt there are greater growth prospects.

However, pending any investment, funds raised will assist in reducing borrowings in the short term.

The company said yesterday that it was continually looking for opportunities to acquire businesses.

Undertakings have been received from certain directors and members of the Rosenblatt family that the right to participate in the offer will not be exercised in respect of 22.6 per cent of the ordinary and 1.3 per cent of the preference shares.

Shareholders will be offered the new shares on the basis of a maximum of one new ordinary for every three ordinary held and up to 33.3 new ordinary shares for every £3 nominal of 13 per cent convertible cumulative preference shares. Fractional entitlements will be ignored.

Closing date for acceptances is 11 am on April 13.

Great Portland buys half interest in Bride Hall

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

MR DANNY DESMOND has sold half the equity in his young but fast-growing property development company, Bride Hall, to Great Portland Estates.

He is receiving Great Portland paper worth £10.2m at the market price just before the deal was announced yesterday.

Great Portland is issuing 4.46m shares to make the purchase.

On Wednesday its shares closed at 229p and after the announcement gained ground to 233p.

Bride Hall was set up in 1983 and since then has accumulated a £300m development programme, which is wider in geographical scope than Great Portland's own programme and includes major business parks.

Mr Desmond owned 100 per cent of the Bride Hall equity, although some executives have share options.

The deal between the two companies has been struck amiably as a balance of advantages. Bride Hall obtains a stronger asset base.

"It will give us a far stronger platform," said Mr Desmond. Hitherto Bride Hall developments have had to be, as he put it, "pretty much blue blood so that the institutions pay up-front."

Mr Desmond will be joining the Great Portland board, and Mr Richard Peskin, the Great Portland chairman, will join the Bride Hall board.

Bride Hall is anticipating £2m profits in the current year. Great Portland had pre-tax profits of £10.4m in the half-year to last September against £8.7m previously.

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UK COMPANY NEWS

Reshaped Schroders lifts profits by 29% to £21m

BY HUGO DIXON

A STRONG performance in corporate finance and investment management enabled Schroders, the financial services group, to show a 29 per cent growth in after-tax profits for the year to December 31.

The £21m in after-tax profits was achieved in a year that saw "a total tranformation of our business," said Mr George Mallinckrodt, Schroders' executive chairman.

Last year, the group sold its life assurance business and further reduced its stake in its former US commercial banking subsidiary, J. Henry Schroder Bank and Trust. At the same time, it built up a small equity operation in London and bought a 50 per cent stak in Wertheim, the medium-sized Wall Street investment bank.

After these transactions, the group still had about £70m of capital which was not committed to a particular business. Schroders said this would be used mainly to broaden its securities operations worldwide.

About £8m, excluding investment in new technology, had been invested in the London equity operation. This was charged against profits rather than capitalised.

In addition, there had been trading losses of almost £100,000 since last year's Big Bang deregulation of equity markets on equity market making. Schroder's chief executive, Mr Win Bischoff, described this loss as relatively small.

Earnings from corporate finance had tripled last year, Mr Bischoff said, although he refused to disclose exact figures.

One of the most lucrative of these was its successful defence of Standard Chartered, which recently called in the Bank of England to check that its handling of Lloyds Bank's bid had been proper. Mr Bischoff said he was not embarrassed by the Standard Chartered association and hoped Schroders would be chosen to defend Standard again if needed.

Earnings from investment management were also said to be buoyant, though again no figures were given.

A final dividend of 10.5p makes a total of 13.5p, up 25.6 per cent.

Schroders' shares closed up 15p at 835p.

Gilbert House £70m bid for Centrovincial

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Gilbert House Investments, whose shares on the USM have since the beginning of last year run up from 12p to 116p, is using its paper to acquire a package of property interests.

The company, controlled by Mr Nigel Wray, the financier, yesterday announced an agreed bid, with a cash and loan note alternative, for Centrovincial Estates. The share offer values Centrovincial at £69.5m.

The paper offer is 61 new Gilbert House shares for every 16 in Centrovincial. This values Centrovincial shares at 443p, assuming a value of 116.25p for each Gilbert House share, against 223p on March 6 when it was disclosed merger talks were taking place, 280p on Wednesday and 315p yesterday.

The cash alternative, which the Centrovincial board is implicitly suggesting that shareholders accept, is £48 and one Gilbert House share for every 16 Centrovincial shares. This values Centrovincial shares at 307.25p.

Centrovincial shareholders are also offered £48 in loan notes, plus one Gilbert House share for every 16 shares they own.

The net asset value of Centrovincial shares is 257p and it was the premium over that figure which led Mr Gold and his directors to recommend acceptance of the offer. Gilbert House shares shed 17p on the market yesterday to close at 98p.

Coloroll may bid for Crown House division

Coloroll, the wall coverings and home furnishings group, is trying to relieve Crown House of its loss-making tableware division. It has built up a 4.7 per cent stake in the engineering services group and does not exclude a full bid if that turns out to be the only way to get the tableware activities.

Crown House, advised by Schroders, was last night considering its response to Coloroll's approach. It was suggested last night that Crown House might expect to receive £20m for the division. Its products include Denby stoneware, Edinburgh and Thomas Webb crystal, Dema glass and George Butler silverware.

The tableware division lost £941,000 in the six months to September 30, pulling Crown House's pre-tax profits down to £663,000 (£1.63m). Its results were hit by the drop in US tourism and an inflow of inexpensive imports given away by petrol companies.

Taking this year's expected loss into account, the division has shown average profits of about £1.5m over the last five years. Crown House shares lost 10p to 235p, giving it a market value of about £63m. Coloroll was 8p lower at 310p.

STOCKLAKE HDGS.: Interim 3p (same). Turnover £12.04m (£11.68m) for six months to September 30, 1986. Group profit before tax £1.79m (£1.67m).

L & G makes £62m despite paying exceptional bonus

BY NICK BUNKER

Legal & General, the UK's second biggest life assurance group, reported pre-tax profits of £61.8m yesterday, a little more than a week after declaring a special life fund bonus which gave shareholders £21.4m.

Mr Joe Palmer, group chief executive, said L&G's non-life insurance business showed "a splendid turnaround."

This was made up of better results from householders' insurance, good results from commercial fire, and an improvement at Victory, its London market reinsurance company.

Total worldwide pre-tax profits before the exceptional bonus reached £83.2m for the year ending December 31, up from £31.5m in 1985.

After tax profits were £70m (£36.2m), with £68.6m attributable to shareholders after £1.4m taken by the group's employee profit sharing scheme.

Earnings per share rose 37 per cent from 7.86p to 10.8p before the exceptional item, and 89 per cent to 14.85p after allowing for the bonus declaration. The final dividend is 6.5p per share, making a total for the year of 9.75p, up 19 per cent.

An exceptional transfer of £21.4m represents Legal & General shareholders proportion of a distribution of surplus arising from a special reversionary bonus to life policyholders declared on March 9.

L & G's recovery in UK non-life business produced a £12.2m profit, against an £8m loss in 1985. But the results were held back by an £8m loss on mortgage guaranty business.

UK life business new annual premiums rose 33 per cent to £58.5m, with worldwide long term business profits up 4.8 per cent at £45.9m.

● comment

Results riddled with exceptional items left the City scratching its head yesterday, with a negative consensus finally emerging to mark the shares down 11p to 299p (on, to be true, a bad day for insurance stocks). Unfair, perhaps. Some pre-tax profits forecasts for 1987 reached £100m, putting L&G on a prospective p/e of 17.3, only about average for the life sector when L&G can expect further recovery in UK general insurance business. Yet some question marks loom large. Banner, its small US life subsidiary, saw profits drop from £8.9m to £6.2m, and has admitted to marketing failures in a field where marketing reigns supreme. And a special reversionary bonus in one year may not be repeated the next—though it does suggest that L&G is determined to compete strongly in UK life assurance.

Hyams edging towards settlement with MEPC

MR HARRY HYAMS appeared yesterday to be edging towards a settlement with MEPC that would leave MEPC as the 100 per cent owner of Oldham Estate, the company he built up and in which he retains a 29.8 per cent stake.

On March 11, Mr Hyams recommended the other 200 Oldham shareholders not to make any decision until Schroder Wagg, the merchant bankers, has appraised the MEPC offer.

He repeated that advice in another letter yesterday but noted outstanding issues needed to be clarified and that "it has been agreed that information on MEPC's and Oldham's valuations should be exchanged in order to establish the precise terms being offered to shareholders."

This is careful language for a negotiation between Schroder Wagg and Warburg, the advisers to MEPC, which could lead to a compromise between the two sides. With Bernard Thorpe, surveyors for Oldham and Knight Frank and Rutley, surveyors for MEPC, talks have been going on down two themes.

First they are seeking to reach an agreed valuation of crucial for an offer based on asset value. Second they are exploring the extent of the differential that should exist between the Oldham asset price per share and the offer price per share.

The negotiations may ultimately turn on MEPC's attitude to Mr Hyams. The group has made no secret of its preference for complete control of Oldham. Schroder Wagg is probing to see whether that preference can be turned into flexibility during the talks. The offer expires on April 8.

COMPANY NEWS IN BRIEF

McLAUGHLIN & HARVEY: The rundown of construction operations in the Republic of Ireland left year-end profits of the building group down 6.3 per cent at £1.07m. The dividend is held at 7p, with a final of 5p.

G.R. (HOLDINGS) (sheepskin and fur processor)—Turnover for six months to December 31, 1986 was £15.95m (£12.18m) and pre-tax profits £1.3m (£0.74m). Earnings per 25p share 21.8p (13.1p) and interim dividend 1.6p (same).

DELANEY GROUP (furniture maker) raised profit to £1.02m in 1986 (£720,000 restated) on turnover £9.03m (£8.16m). Final dividend 1.8p for 2.7p net total (2.4p). Results included David Bennett (Joinery).

THE HOUSE OF LEROSE (designer and manufacturer of women's fashionwear): Final dividend 6.4p making 9.4p (8.4p) for 1986. Sales £17.16m (£16.6m) and pre-tax profit £1.83m (£1.2m). Earnings 22.5p (21.5p) per 25p share.

WESTERN DOOARS Tea Holdings: Pre-tax profits for 1986 were £274,060 (£316,845). Earnings per £1 share 19.66p (23.65p) and dividend 6p (same) net. Extraordinary debit nil (£143,763).

HAWKER SIDDELEY Canada (subsidiary of UK electrical and mechanical engineer): Quarterly dividend 24 cents. Sales C$418.67m (£201.04m) and pre-tax profit C$34.25m (£16.45m) against $32.19m. Earnings per share C$2.01 ($1.78).

TOWN CENTRE Securities (property)—Pre-tax profits for six months to December 31 1986 were £1.51m (£1.43m). Gross rental and investment income £4.1m (£3.34m). Earnings per 25p share 1.07p (0.94p) and interim dividend 0.4p (same).

UK COMPANY NEWS

Carla Rapoport on Glaxo's latest success in Japan

Medicine man finds the formula

PAUL GIROLAMI travels to Japan as often as most people go to the barber.

Chairman of Glaxo, Britain's largest drug company, Mr Girolami has been making the exhausting trip at least five or six times a year since 1970.

This week, some of that dedication paid off. On Wednesday, more than 200 Japanese analysts and executives jammed into a room in the Hotel Okura to hear top Glaxo officials talk about the group's worldwide activities.

According to Japanese stockbrokers, it was the largest gathering ever assembled for a European company in Tokyo.

A few hours later in the day, Glaxo announced its next step into the Japan: an application for a listing on the Tokyo Stock Exchange, only the sixth British company to date.

But despite the years of hard work, Mr Girolami admits that the company has a lot more work ahead.

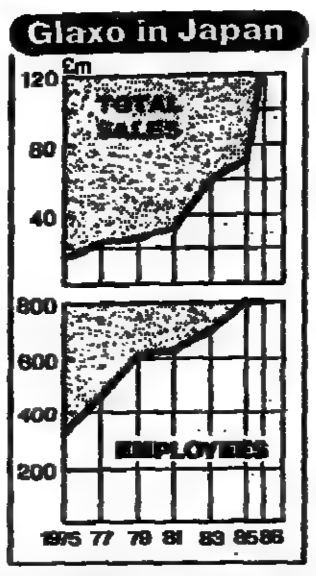
Glaxo's sales in Japan are still modest, just 1.2 per cent of the Japanese drug market. And Zantac, Glaxo's superstar anti-ulcer drug, is not a run away success in Japan as in other markets.

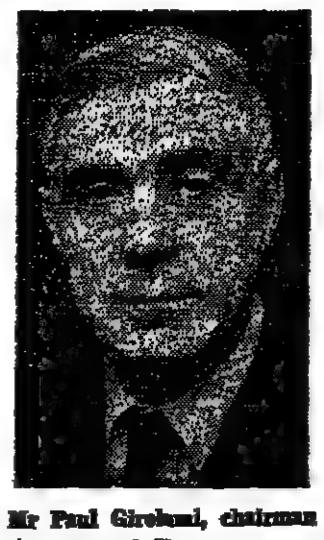
Nonetheless, Mr Girolami remains enthusiastic. He does not resent the time he devotes to the country and he is not expecting quick returns.

"We'll grow more slowly (in Japan) than in the US. But this is the second largest market in the world and we've been at it longer than most. Still, it will take much longer," he says.

Indeed, since 1980 sales in the US have jumped from $13m to $620m last year. Glaxo's US employees expanded from 280 to 1,600.

In Japan, sales by Glaxo's associated companies in the same period have gone from around £30m to £120m last year, while employees have increased from 320 to 800. Sales of Zantac have grown but heavy competition in the anti-ulcer market has squeezed Zantac's market share from a peak of 38 per cent in late 1985 to around 28 per cent at present.





Mr Paul Girolami, chairman of Glaxo

Still, expansion on an international basis cannot be done to a formula, says Mr Girolami. "In America you can build a marketing team in advance of the product. We could recruit people. That doesn't happen here. In America, it's easy to move—easier to make a mess of things, but easier to succeed."

Over the next five years, Mr Girolami hopes to double the company's market share to around 2.5 per cent of the Japanese market.

During that period, his hopes remained pinned on the joint-ventures and co-marketing arrangements it has set up over the years in Japan.

Although many joint ventures between foreign and Japanese companies end in tears, Glaxo has had good success in this area by obeying a few simple rules.

First, Glaxo's primary joint venture, Shin Nihon Jitsugyo, formed in the early 1970s, has been entirely staffed by the Japanese partner. When subsequent tie-ups were set up, the same rule applied.

"We haven't had a successful ex-patriate in Japan. It doesn't seem to work," he says.

Instead, he has forged personal relationships with his counterparts in Japan through his many visits. Unlike so many foreigners in Japan, he does not complain about lack of market access in Japan.

"I am not conscious of positive discrimination against our products," he says. "But the whole (drug distribution) system—which was not designed to keep us out—is very difficult. An inefficient system is a very difficult one to enter," he explains.

Indeed, the lines of demarcation in the distribution of drugs in Japan are almost impossible to distinguish. Retailing, wholesaling and prescribing tend to merge.

As Mr Girolami points out, there is no pure, undetached wholesaler in Japan as in European countries. Some doctors, for example, run their own small hospitals with private dispensaries.

The bottom line, according to Mr Girolami, is to fit into the Japanese system. "You've got to do it their way—unless you have some kind of missionary zeal.

"Things will change here, slowly, but there isn't much point in forcing change. It will happen," he says.

And by the time it does, Glaxo plans to be one of the major players in the Japanese market.

CCF doubles its profit and makes £7m acquisition

Consultants (Computer & Financial), the USM quoted computer services group, yesterday announced more than doubled profits in 1986 of £2.5m and the £7.1m acquisition of the Downie group, which specialises in the development and implementation of banking and financial systems software.

The shares rose sharply on the news and closed 38p higher at 242p.

The company is acquiring Downie and is meeting the consideration by the allotment to the vendors of 1.8m new ordinary shares and by £3.875m in cash. The payment of £1m of this cash, however, will be deferred until the first anniversary of completion.

James Capel has conditionally agreed to subscribe 1.34m new ordinary shares at 200p to raise £2.38m, net, for the company. These proceeds will be used to satisfy part of the cash element of the consideration, with the balance provided from group resources.

Downie achieved pre-tax profits of £1.13m on £2.76m turnover in the year ended May 31, 1986, and turnover in the current year is ahead by over 40 per cent. Net tangible assets at the end of May amounted to £768,000.

Meanwhile, CCF reported a record £2.52m (£971,000) pre-tax figure for the year ended December 31, 1986. Turnover jumped from £4.86m to £11.37m and earnings per 5p share were 15.9p, against 5.1p. The final dividend is lifted to 1.3p for a total of 2p (0.75p) net.

CCF's UK activities contributed £2.24m (£1.03m) while other UK subsidiaries added £134,000 (£1,000). Far East activities made a profit this time of £38,000 (£109,000 loss), while North American operations pushed up profits from £46,000 to £163,000. In Australia, there was a first time loss of £58,000.

Mr Tim Simon, the chairman, said the group was well placed to capitalise on the enormous opportunities available in the global financial software marketplace. He expected 1987 to be another successful year in the group's development.

He added that the acquisition of Downie Associates would provide the group with an increased market share and established links with the European banking and Eurobond marketplaces.

Flotation paying off as Interlink hits £2m

BY ALICE RAWSTHORN

Interlink Express, the overnight parcels delivery service which joined the USM in October, yesterday watched its shares rise by 39½p to 350p on the announcement of a 91 per cent surge in midway pre-tax profits to £2.1m.

The company succeeded in increasing its share of the overnight parcels delivery market during the six months to December 31, 1986. The number of consignments handled each night rose by 49 per cent to 6,200 and had since grown to 7,200.

Interlink now commanded an estimated 8 per cent share of the market, compared with 5 per cent at the time of the flotation.

"Most of the new business has come from new clients," said Mr Richard Gabriel, Interlink's chairman and managing director. "One of the reasons for the flotation was to raise our profile in the industry and that seems to have paid off."

Turnover increased to £9.6m (£6.1m). Earnings per share rose to 8.25p (4.84p) and the board has declared an interim dividend of 2.35p.

In August the company expanded outside the UK for the first time by setting up a service in Ireland.

Interlink was in the throes of building up its domestic management team; once that was accomplished and the Irish business was profitable, the company would consider diversification into West Germany and the US.

Mr Gabriel said that business had been buoyant in the opening weeks of the second half

Acquisition boosts IFICO

TAKING INTO account the results of FMW Holdings, the insurance broker acquired at the end of last summer, the Industrial Finance and Investment Corporation was able to lift its pre-tax profits for the opening half of the current year by 25 per cent.

The directors said yesterday that they considered the progress to date and prospects for the rest of the year to be promising.

For the six months to end-December 1986 turnover declined from £3.57m to £2.92m but at the pre-tax level profits improved from an adjusted £311,000 to £390,000 — the company is a licensed dealer in securities.

Tax accounted for £109,000, against a previous £121,000, and minorities for £3,000 (£1,000). An extraordinary credit of £58,000 this time arose primarily from the sale of the former East of Scotland Onshore investments.

Earnings for the period emerged at 1.84p (1.4p) per 25p share. The interim dividend is being maintained at 1p net on the capital enlarged by last July's £2m rights issue and the consideration shares issued to take over Chelmsford, Essex, based FMW Holdings.

The results for the half year were merger accounted and comparative figures adjusted accordingly.

It was also announced yesterday that Mr R. F. Looker, a main board director, had resigned in order to devote his energies to the chairmanship of British Benzol and to the affairs of his family companies.

● comment

The past two years have been very hard for Ifico. First the Chancellor robbed the company of its leasing raison d'etre, then a bought deal over East of Scotland Onshore, planned as a rights issue in disguise, fell through leaving a £3m shortfall. This was followed by what appears to have been a take-over pincer movement involving Terry Ramsden's Glen Investments. Ifico have now come partly (44 per cent) to rest in the arms of Unity Corp, an Australian raider whose problems at home have recently had a considerable airing. Ramsden's stake was sold to Tony Coles's Bestwood and has thence sped on to a multitude of soon-to-be-disenfranchised offshore nominees. All of which makes profit forecasts of £1.2m for this year appear almost dull. However, Ifico's careful buying policy on the estate agent and insurance broking fronts is paying dividends and even a fully-diluted, tax sheltered prospective p/e of 16¼ at 90p still leaves some room for excitement.

T. Clarke ahead

T. Clarke, electrical contractor, raised pre-tax profits from £608,000 to £878,000 for 1986, on slightly lower turnover of £29.04m, against £29.51m.

With earnings per share ahead from 3.56p to 5.53p, the final dividend is 1.988p for a total of 2.698p (2.31p) net.

Tax charge was £337,000 (£258,000) and there was an extraordinary charge of £56,000 last time leaving an attributable balance of £544,000, against £295,000.

Lilley sale

PRE-TAX profits during 1986-87 of the two quarry companies sold by F. J. C. Lilley to Tarmac were £0.8m, not £4.6m as stated in Thursday's paper.

UK COMPANY NEWS

Octopus up 28% and set for further acquisitions

BY ALICE RAWSTHORN

The Octopus Publishing Group yesterday reported a 28 per cent rise in pre-tax profits to £26.04m for 1986 and announced that it is eager to embark upon acquisitions again.

Last year Octopus followed the acquisition in 1985 of Heinemann, the educational and children's book publisher, by purchasing Hamlyn Publishing from Reed International and increasing its holding in the paperback publisher, Pan.

Yet Octopus ended the year with a cash pile and is looking for further opportunities within UK and US book publishing and further afield in the communications industry.

"We have spent a very interesting year, sorting out the new businesses and fitting ourselves together," said Mr Paul Hamlyn, group chairman. "This year we will be looking for growth internally and by acquisition."

In the UK, Octopus, like most other book publishers, suffered from sluggish sales in the first half of the year. Demand recovered in the second half, however, and, according to Mr Hamlyn, it has remained strong so far in 1987.

Overseas, the group suffered from adverse currency movements in its core markets. Australia and the US. Exchange rates erased £3.3m from group sales and £500,000 from profits.

In the year to December 31, Octopus increased turnover to £158.58m (£138.27m). Operating profits rose to £23.75m (£18.02m) and included a contribution of £1.46m from the sale of shares in TV-am, the breakfast television station, and £795,000 from a reduction in group pension contributions. Octopus gleaned £1.03m (£997,000) from its share of profits in related companies, principally Pan, and £1.25m (£1.35m) in investment income.

Tax took £8.68m (£7.92m). The release of a provision against the TV-am holding is largely responsible for an extraordinary credit of £611,000 (debit of £343,000). Earnings per share (fully diluted) rose by 39 per cent to 32.1p. The board proposes a final dividend of 7.09p (4.59p), making a total of 9.79p (6.75p). It has also announced a subdivision of each ordinary and deferred share of 10p into two shares of 5p.

• comment

Without the timely flotation of TV-am and a timelier pensions holiday, Octopus would barely have met the City's profit forecasts. Yet the book market was so bearish for much of 1986 and Octopus's statement so bullish that the shares rose by just 2p to 688p yesterday. In the UK market it will take a year or so for the full benefits of integrated distribution to filter through, but the Heinemann lists look livelier and its back catalogue can be used to greater effect at Pan. Overseas, currencies are still problematic, but both the US and Australian markets are more buoyant. Yet the real interest centres on acquisition activity. As it stands Octopus should muster profits of £29m or so and an appropriate prospective p/e of 19.5. Add an appealing acquisition and the shares may seem rather more attractive.

SR Gent back in profit at £0.5m

S. R. Gent, the clothing manufacturer which fell into losses of £1.24m in the year to June 1986, moved back into the black with interim profits of £525,000 for the six months to December.

This compares with an interim profit of £23,000 in 1985, when the company's profits had begun to suffer thanks to growing competition from Next and Principles for its main customer Marks and Spencer. Turnover rose slightly from £43.88m to £45.04m.

Directors said the improvement was partly due to savings from cost reduction programmes. Two small plants had been closed but total capacity sustained through improved efficiency.

The move to a better balance of product mix with more emphasis on active and leisurewear was going according to plan, they said. Casual and active wear continued to offer opportunities with casual clothing ranges being produced for Reebok.

The Canadian subsidiary had shown progress, while South Africa had continued to trade profitably in sterling terms despite the fall in the value of the rand.

Sublime lighting results had been disappointing, but should benefit from the new Homewear division to design and market co-ordinated ranges, they said.

Interest charges fell from £843,000 to £789,000. After higher tax of £102,000, earnings per share rose to 1.2p credit from last time's loss of 0.2p.

Directors declared an interim dividend of 0.355p per 10p share, compared with 1985's figure of 0.5p.

Refuge expands

Refuge Group, the insurance and financial services organisation, lifted its pre-tax profit from £7.41m to £8.23m in 1986. The dividend is raised by 2p to 15.75p net, with a final of 10.75p.

Industrial branch premium income rose by 6.5 per cent and ordinary branch by 5.4 per cent. Expansion in the unit-linked businesses continued and premium income surged by 86.8 per cent.

There was a net deficit of £1.07m (£55,000) in the general branch following increased claims on motor and household policies.

HTV GROUP (TV programme contractor, fine art dealer): Interim dividend 3.2p (2.8p) for half year to January 31, 1987. Turnover £59.49m (£56.13m) and pre-tax profit £7.81m (£4.34m). Tax £2.72m (£1.74m). Earnings 24.57p (12.59p).

SPONG HOLDINGS (clothing, houseware and creative services group): Interim dividend 0.3p for six months to October 31, 1986. Sales £9.54m (£18.38m) and pre-tax profit £414,000 (£520,000). Earnings 0.92p against 1.28p per 5p share.

Halls Homes

Halls Homes & Gardens, manufacturer of garden buildings and conservatories, returned profits of £1.14m pre-tax for the 1986 year. That was 64 per cent ahead of the previous year's £696,000 and 8 per cent up on the forecast made at the time of the company's USM flotation.

Turnover totalled £17.75m (£13.71m). Tax of £249,000 (nil) left earnings per 5p share at 9.6p (7.1p).

Cambridge expects 56% profit rise

BY PHILIP COGGAN

Cambridge Instruments yesterday forecast pre-tax profits up 56 per cent to £7.5m in the current financial year, as it revealed its pathfinder prospectus in preparation for its main market flotation later this month.

Profits for the first nine months of the year were £5.03m on turnover of £63.5m compared with £4.85m and £53.0m respectively in the last full financial year. The forecast earnings per share are 8.8p.

Around 36.3m shares, 37.1 per cent of the enlarged equity, will be offered under the issue of which 28m shares will be new and the rest sold by existing shareholders.

Kleinwort Benson plans to allocate 40 per cent of the issue to institutional investors, 7.4 per cent to employees and existing shareholders and the rest will be offered to the public.

The increase in profits is largely due to the acquisition of Reichert Industries from Warner Lambert in May 1986. After having cut the wages bill by $4m via a reorganisation of the US headquarters, the optical instruments division—the largest part of the old Reichert—is shown as making a £2.66m operating profit in the first nine months of this year. That compares with a $2.6m pre-tax loss for the whole of Reichert in the previous year.

However, the problems of the semiconductor industry seem to have affected thet rest of the group. Although scientific instruments and semiconductor equipment are separated for turnover purposes, they are lumped together for profits purposes. Those figures show the first nine months' operating profits at only £2.42m, compared with £4.9m in the whole of the previous year, and that is after the addition of some profitable Reichert histology equipment business.

Mr Terry Gooding, the executive chairman of Cambridge, who was brought into the group in 1979 by the government-run National Enterprise Board, said that thet fourth quarter was traditionally the best for the scientific equipment and semiconductor business, but would not break down results by quarters in previous years to illustrate the trend.

The share price will be anounced on March 25 and a full prospectus will appear in the national press two days later.

Church recovers to 16% profit growth

A PICK-UP in the second half enabled Church & Co, shoe retailer, wholesaler and manufacturer, to lift its pre-tax profit by 16 per cent, from £4.39m to £5.09m, in 1986.

Mr Ian Church, chairman, explained that by September UK retailing improved and gathered momentum until, in the last quarter, the group was achieving excellent sales. In the first half lack of tourists and poor weather produced indifferent retail figures and demand was beginning to drop.

Manufacturing in the UK improved while A. Jones & Sons, the retail subsidiary, had a much better year with turnover up to £26.27m (£24.4m) and pre-tax profit to £1.48m (£1.16m). Three new shops all started well, while modernisation of existing branches continued.

Mr Church said in America profits improved both in dollar and sterling terms and figures for the first few months of 1987 were much improved. Canadian sales and profits were well up.

On the current year the chairman said it had started well and he looked forward to another good year.

After tax £2.05m (£1.71m) and minorities £6,000 (£7,000), the attributable profit came to £3.04m (£2.68m) for earnings of 29.1p (25.6p) per share. The final dividend is 7p for a net total of 9.5p (8.5p).

Duncan & Goodricke

Walter Duncan & Goodricke, investment, banking services and warehousing group, lifted pre-tax profits from £1.72m to £6.88m in 1986, reflecting a surplus of £6.08m (£1.33m) from the sale of investments.

Earnings per £1 share were 309.04p (87.23p) and the net dividend is raised 33 per cent to 20p (15p).

LME clearing controversy widens

By Stefan Wagstyl

SOME OF the London Metal Exchange's largest customers have protested at suggestions that the proposed reforms to the market might be amendede to bring the exchange closer into line with other commodity markets.

Representatives of the International Wrought Copper Council, a manufacturers' association, and of important copper mining and smelting companies voiced their concerns at a meeting this week with LME officials.

They insisted that the clearing system which the exchange is introducing on on May 29 to replace its existing principal-to-principal market should allow for contracts to be settled for cash only when they mature. They rejected a proposal put forward last week by Amalgamated Metal Trading, an LME trading member, which urged the introduction of a market in which price differences are covered by cash margin payments on a daily basis — as happens on almost every commodity exchange. ... ...

The IWCC said such a change would remove many of the LME's unique advantages and make it indistinguishable from other markets which were not orientated towards trade clients. "The LME has to decide whether dealer convenience should take a higher priority than customer satisfaction."

The IWCC said that an assurance that the new system would be permanent would remove industry fears of uncertainty resulting from an endless process of review and change.

The IWCC's protest indicates that the argument over the shape of the LME is likely to run along after the clearing house is introduced. Under pressure from trade clients, brokers have wanted to keep change to a minimum. But if AMT is right, financial considerations might force them to adopt full cash clearing in the not too distant future. AMT says that cash clearing will be cheaper to run than the LME's hybrid.

US hint on cheap grain for Moscow

By Nancy Dunne in Washington

MR CLAYTON YEUTTER, the US trade representative, has become the first Reagan Administration official to publicly hint that the US may succumb to Congressional pressure and once again offer subsidised grain to the Soviet Union.

The US offered Moscow 3.85m tonnes of wheat last year under its bonus giveaway Export Enhancement programme (EEP), but the Soviets did not buy because, they said, the price was too high.

Speaking at the annual convention of the National Grain and Feed Association this week, Mr Yeutter said he woud support an offer of subsidised grain to Moscow if it were made for "tactical" purposes.

The EEP, under which the Government hands out surplus grain to be used for subsidies, was originally aimed at markets where the EEC has made headway with its own export subsidies. Mr Yeutter said he would support extending an EP offer to Moscow if it would help US trade partners to the negotiating table in an effort to end the use of export subsidies in farm trade.

The Administration has been under heavy pressure to extend the EEP to the Soviet Union.

Compromise clears way for rubber pact approval

BY WILLIAM DULLFORCE IN GENEVA

RUBBER PRODUCING and consuming countries are poised to round off the terms of a new International Natural Rubber Agreement (Inra).

A national holiday in Spain yesterday prevented the EEC delegation from receiving the last governmental approval to a compromise over the conditions for ratifying the new agreement. But Spanish consent is expected this morning.

Under the compromise governments of importing countries accounting for at least 75 per cent of net imports and producing countries responsible for 75 per cent of net exports have to ratify the new Inra before it can become operative.

The new Inra partially meets the importing countries' demand for a more market-orientated price adjustment mechanism and satisfies the producers' insistence on retaining a floor price that assures growers of a return on their investment.

Mr Manaspas Xuto, the chairman of the UN rubber conference, said it balanced the interests of both sides, had put aside short-term interests in favour of mutual benefits in the longer run and would prevent the "boom-or-bust" syndrome from appearing in the $3.36bn a year world rubber business.

A producing country delegate said that with the present supply and demand situation for rubber, the price range to be defended by buffer stock buying and selling in the new pact represented a lesser evil.

Mr Juergen Brandeburg, the chief West German negotiator, said the agreement gave consumers more frequent price reviews and scope for wider adjustments than in the current Inra. Consumers remember with some bitterness the 1 per cent adjustment in the buffer stock reference price they had to swallow in 1982 after calling for a full 5 per cent cut.

Under the new Inra the reference price, set at 201.66 Malaysian/Singapore cents a kilo, will be adjusted automatically by at least 5 per cent when the daily market indicator price has on average remained beyond the intervention levels during the six months before a price review. Reviews will take place at intervals of 15 months instead of 18 months.

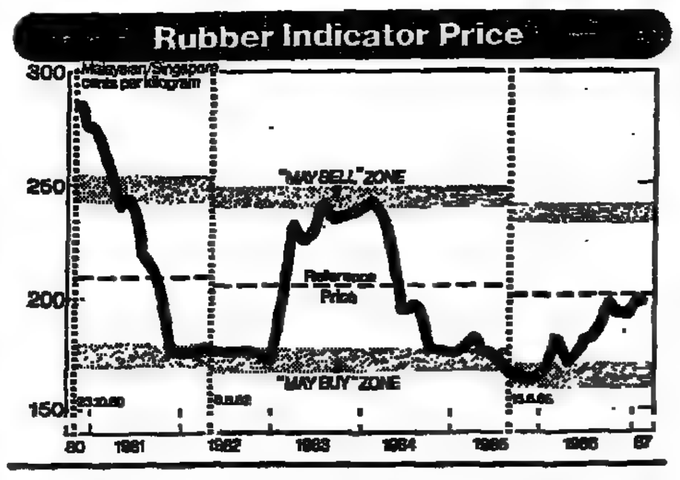
A consumer demand that the lower indicative, or floor, price of 150 cents a kilo be changed when the buffer stock, at present just under 360,000 tonnes, reaches 450,000 tonnes was abandoned.

Instead it was agreed that, when the stock reaches 400,000 tonnes, the buffer stock manager will defend the floor price by buying at 152 cents to build up a 150,000-tonne contingency stock.

The price range within which the stock is now managed will be taken intact into the new Inra. At the intervention levels 15 per cent from the 201.66-cent reference price, the manager may start buying or selling: at the trigger levels 20 per cent from the reference price he is obliged to intervene on the market.

Indicative prices setting the floor and ceiling of the range at the 150-cent and 270-cent levels do not adjust to the reference price and can only be altered by the council of the International Natural Rubber Organisation at intervals of 30 months.

Borrowing to finance the buffer stock or contingency stock is not possible in the new Inra.



EEC lifts sugar export subsidy

BY TIM DICKSON IN BRUSSELS

THE EEC has agreed to subsidise exports of 60,000 tonnes of European sugar at slightly higher levels than a week ago.

Such decisions have been watched more closely in Brussels since producers announced earlier this month that they were offering the Community almost 1m tonnes of surplus sugar at the guaranteed "intervention" price of Ecu 541.8 per tonne.

This was widely seen as a co-ordinated action by French, West German, Dutch and Belgian traders designed to embarrass the European Commission, which under the rules of the market regime, is obliged to accept the consignments provided they match up to the required quality standards.

The protest is aimed at forcing an increase in the level of weekly export subsidies which make up the difference between the protected European price and the lower world price.

The Commission, which points out that world prices have been rising since the beginning of the year thereby narrowing the gap, does not accept this analysis and resents what it considers to be blatant blackmail.

An official last night said that this week's export tender had been "a perfectly normal procedure." The subsidies agreed were at a level of Ecu 44.8 per tonne, compared with Ecu 43.9 last time, but "there was no direct relationship between the fixing of this amount and the threat from certain operators."

He added: "We are keen to see export going well and the European surplus cleared in this way."

A final decision over the near 1m tonnes offered for "intervention" — most of it by Paris traders — does not have to be taken for another ten days. An intervention system for sugar has been in place since 1968 but it is rarely used and at the moment there are only small quantities in Italian stores.

Traditionally, Europe's surplus sugar has been exported rather than going into stores like butter and beef at (ultimately) the Community's expense. The Commission is reversing the right to sell the quantities being offered straight back onto the European world market.

Sarawak's pepper crop gamble

BY STEVEN BUTLER, RECENTLY IN SARAWAK

FARMERS throughout Sarawak, the Malaysian state on the island of Borneo, are gambling that the price of pepper will remain sufficiently high in coming years to justify an increase in the crop.

Sarawak was once the biggest pepper producer in the world, with a high of 36,118 tonnes in 1979. But production has fallen dramatically. It dipped to 15,000 tonnes last year, leaving the state in fourth place behind Indonesia, India and Brazil. Pepper production in other Malaysian states is not significant.

The Sarawak farmers are busy driving thousands of hardwood poles into the ground to support the young pepper vines, which will not begin to produce for about three years. Each pole costs about M$8—about half the price they will get for the annual yield from one mature vine when prices are good.

About a third of Sarawak's pepper production is white pepper, which commands a price 30 to 40 per cent higher than black pepper, which is harvested earlier.

Now with local prices ranging between M$900 and M$1,000 (£225-£250) per hundred kgs for black pepper, compared with M$200 in the late 1970s, farmer are expected to expand production by about 20 to 30 per cent, according to Mr Mohamad Shariff Abdul Aziz, general manager of the Pepper Marketing Board.

This is considered a cautious reaction. As farmers were cutting pepper production over the last six years, they were gradually planting more cocoa. Local cocoa prices have been quite firm recently, and cocoa requires far less care than pepper. Mr Shariff does not believe that Sarawak farmers are likely to cut cocoa plantings, but rather will find fresh land to expand pepper production.

Pepper prices began to rise in 1983. When prices more than doubled during 1985, farmers brought out all their stocks and sold them. This accounts for the fall in sales during 1986, at a time when prices were high. Any increased sales in 1987 would have to be based on increased production.

About 60 per cent of Sarawak pepper is shipped to Singapore, from where it is distributed around the world. The Soviet Union is the largest purchaser of black pepper from Singapore.

SARAWAK PEPPER PRODUCTION (tonnes)

1987*	17,000
1986	15,000
1985	19,070
1984	16,502
1983	23,491
1982	25,010
1981	28,496
1980	30,709
1979	36,118

* Projected

Source: Sarawak Pepper Marketing Board

India aims for tea sales revival

P C Mahanti on the leading exporter's renewed sales drive

INDIA, THE world's largest producer, consumer and exporter of tea, is leaning over backwards to please foreign buyers as it tries to reverse the recent self-inflicted downturn in overseas sales.

In days past it has tended to take overseas markets for granted, imposing, as it did in 1983, export restrictions not only on volumes but also on categories. But now all curbs on exports are gone and trade delegations have been recultivating traditional outlets in Europe, as well as markets like the US, where India sees potential for expansion.

The drive for increased tea exports continues to be tempered however, by the demands of the home market, which is growing by 5 or 6 per cent a year. In 1986 domestic consumers took 430m kgs out of a production total of 630m kgs, and the country could have been faced with shortages had there been no carry-over supplies from the previous year.

Another constraint is provided by the world supply/demand balance, which appears far from encouraging at the moment. With the Middle East and Western and Western Europe currently overstocked with tea, it is unlikely that the world supply/demand gap will amount to more than 20m kgs this year. The Soviet Union and Eastern Europe are already buying 40 to 45 per cent of India's exports and probably cannot take any more. Western European consumption is unlikely to rise significantly—especially with a falling population in tea-loving Britain—and scope for further growth in the Midle East seems to have run out, for the time being at least.

At the same time importers are becoming increasingly quality-conscious and are turning their backs on the poor quality tea which has flooded world markets since 1983. A substantial proportion of unsold stocks is believed to consist of this "muck," as the tea trade calls it.

India must concentrate, therefore, on quality grades—just as it did in 1986—if it is to achieve an export average of 215m to 220m kgs a year.

The gap between India's foreign income and expenditure is still far too large, and tea export earnings are crucial in the struggle to stay out of the debt trap which has ensnared Brazil and Mexico. In view of the limited potential for increasing export volume India's best hope for boosting tea's role in this struggle is to enhance export values.

To this end India has been active in seeking agreement among producers on setting a minimum export price for tea. But although the producers have supported the principle, consensus on the price to be set has so far eluded them. The Gatt and the UN's Committee on Trade and Development (Unctad) have been working, meanwhile, for the creation of a price-stabilising International Tea Agreement, which would involve consuming countries as well as producers. But their efforts have foundered on the basic problem of how to deal with surpluses in bumper crop years.

Another way of boosting export earnings is to add more value to the tea before export.

India's value-added tea exports were launched, with some success, at the height of the oil price boom. With the Middle East countries proving keen buyers, sales quickly climbed to about 100m kg. The early promise was not fulfilled, however. Competition from Sri Lanka, which has managed to export some 30 per cent of its tea in value-added form, has helped to depress India's proportion to only 10 per cent. There was a flicker of hope in 1985 when the quantity rose to 27m kgs, but last year it slipped back to 21m kgs.

The Government has been showering incentives on value added tea exports. These have included bigger cash compensatory payments and exemption of packet tea from excise duty, as well as brand campaigns for products in selected overseas markets.

LONDON MARKETS

EASIER sterling against the dollar lifted all the London Metal Exchange's base metals markets yesterday. Cash Grade A copper ended £7.50 up at £914.50 a tonne, cash zinc edged £2 higher to £453.50 a tonne and cash nickel regained most of Wednesday's fall, with a £20 rise to £844 a tonne. The biggest rise proportionately, however, was in aluminium, where the cash position advanced £19 to £844 a tonne. An early mark up in aluminium prices was attributed chiefly to the currency factor. But the rise triggered a renewal of the covering against probable April options declarations which has been a feature of the aluminium market in recent weeks. Fears that heavy options declarations could cause a squeeze on nearby supplies were reflected in a dramatic widening in the cash premium over three months from £35.50 a tonne to £45.25 a tonne.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Mar. 19	Mar. 18	M'th ago	Year ago
1521.7	1523.9	1577.0	1801.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 17	Mar. 18	M'th ago	Year ago
Spot	115.56	115.74	—	131.57
Fut	113.39	113.39	—	133.50

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Mar. 19 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1345/355	—10	$1330/460
Copper			
Cash Grade A	£914.5	+7.5	£886.5
3 mths	£896.75	+5.75	£931.25
Gold Troy oz	$404.25	—0.25	$390.85
Lead Cash	£305	+0.5	£395
3 mths	£299.75	+0.88	£300
Nickel			
Free Mkt	178/180c		175/185c
Palladium oz	$124.80	+0.10	$117.15
Platinum oz	$521.25	—2.25	$501.50
Quicksilver	$205/215		$175/185
Silver troy oz	347.80p	+0.25	354.80p
3 mths	356.00p	—0.15	363.55p
Tin			
free Mkt	£4275/300	+10	£4480/490
Tungsten	$47.06		$44.51
Wolfram 22.0lb	$46/50		$39/45
Zinc	£453.5	+2	£484
3 mths	£451.25	+2.75	£475
producers	$778/790		$778/790
OILS			
Coconut (Phil)	$350x	+10	$350
Palm Malayan	$330y		$337.5
Seeds			
Copra (Phil)	$250v	+10	$250
Soyabean (U.S.)	$135		$140
GRAINS			
Barley Fut. May	£113.50	—0.10	£116.50
Maize	£148.50		£143.50
Wheat Fut. May	£118.90	+0.05	£118.15
No. 2 Hard Wint.	[illegible]		
OTHERS			
Cocoa Ft. May	£1297.5	+4	£1385
Coffee Ft. May	£1,271	+6.5	£1462.5
Cotton A Ind.	52.95c	—0.1	55.40c
Gas Oil May	$141.75		$141.75
Rubber (kilo)	62p		62.75p
Sugar (raw)	$168		$177
Woolto 64s	448p kilo		452p kilo

$ Unquoted. x Per 75-lb flask. c Cents a pound. v Cocoa cutook. y April. z March-April. x April-May. y May.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	843-5	+19	—
3 months	798.5-9	+9.25	799/789

Official closing (am): Cash 831-3 (831-2), three months 798-7 (794-4.5), settlement 833 (832). Final Kerb close: 798-9. Turnover: 16,050 tonnes.

COPPER

Grade A	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	914-5	+7.5	915/911
3 months	896.5-7	+5.75	902/894

Official closing (am): Cash 914.5-5 (914-5), three months 896-6 (894.5-5), settlement 915 (same). Final Kerb close: 895.5-6.

Standard			
Cash	866-7	+7	858/850
3 months	865-70	+3.5	

Official closing (am): Cash 845-50 (842.5-50), three months 853-8 (848.5-3), settlement 850 (same). US Producer prices: 65.50-70 cents a pound. Total Turnover: 50,025 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	305.5-5.5	+0.5	—
3 months	299.5-300	+0.88	301/299

Official closing (am): Cash 307-7.5 (305.5-6), three months 300.5-1 (298-9.5), settlement 307.5 (306). Final Kerb close: 299.5-300. Turnover: 2,850 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2335-45	+20	2355/2345
3 months	2365-9	+17	2372/2355

Official closing (am): Cash 2,350-5 (2,340-5), three months 2,368-9 (2,358-60), settlement 2,355 (2,345). Final Kerb close: 2,362-5. Turnover: 504 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	453-4	+2	454
3 months	451-1.5	+2.75	452.5/451

Official closing (am): Cash 454.5-5 (451.5-2), three months 451.5-2 (449.5-50), settlement 455 (452). Final Kerb close: 451-1.5. Turnover: 7,725 tonnes. US Prime Western: 37.50-44 cents a pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 15.82 (15.83) ringgit per kg. Down 0.01.

GOLD

Gold fell just $¼ an ounce from Wednesday's close in the London bullion market yesterday to finish at $404-404½. The metal opened at $404¾-405¼ and traded between a high of $405¼-405¾ and a low of $404-404½. Trading was extremely quiet and featureless.

GOLD BULLION (fine ounce)	Mar. 19	
Close	$404-404½	(£252-252½)
Opening	$404¾-405¼	(£252-252½)
M'n'g fix	$405.05	(£252.919)
Aft'n'n fix	$404.45	(£252.277)

GOLD AND PLATINUM COINS

Am Eagle	$416½-421½	(£259¼-263¾)
Maple leaf	$417-420	(£260-261¾)
Kr'g'r'nd	$407-410	(£253¾-255½)
½ Krug	$218¼-213½	(£133¼-133)
¼ Krug	$107½-108½	(£67-67¾)
Angel	$414½-417½	(£258½-260¼)
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
$ 20 Eagle	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

SILVER

Silver was fixed 0.3p an ounce higher for spot delivery in the London bullion market yesterday at 347.8p. US cent equivalents of the fixing levels were: Spot 558.5c, down 1.1c; three-month 566.6c, down 1.3c; six-month 574.4c, down 1.2c; and 12-month 592.1c, down 1.3c. The metal opened at 346-349p (554-557c) and closed at 345¼-347¼p (554-556c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	347.80p	+0.3	347p	[illegible]
3 months	356.00p	—0.15	355.5p	[illegible]
6 months	363.75p	—0.25		
12 months	378.50p	—0.50		

LME—Turnover: Nil (0) lots of 10,000 ounces.

Three months final kerb 354-5p.

SOYABEAN MEAL

	Y'st'rd'y's close	+ or —	Business done
	£ per tonne		
April	129.0	+0.8	128.0
June	118.5		114.0
August	116.0	+0.7	115.0-115.5
October	115.0	—0.2	115.0
Dec	113.0	—0.1	113.0
Feb	115.0		
April	116.0		

Sales: 85 (100) lots of 20 tonnes.

COFFEE

Robustas traded in low volume and narrow ranges, reports Drexel Burnham Lambert. Dealers remained generally sidelined in anticipation of a statement from Brazil's coffee council and a producers' meeting in Nicaragua this weekend.

COFFEE	Yesterday's close	+ or —	Business Done
Mar	1260-1265	+7.5	1265-1245
May	1270-1272	+6.5	1285-1268
July	1275-1277	+2.0	1300-1275
Sept	1290-1292	+5.0	1317-1292
Nov	1317-1320	+6.0	1340-1317
Jan	1330-1340	—6.5	1360-1343
Mar	1350-1380	—17.5	1380-1365

Sales: 3,472 (3,386) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for March 18: Comp. daily 1979 98.75 (99.52); 15-day average 103.57 (104.86).

COCOA

Futures gained a little ground on the opening and in quiet trading conditions held the values through to the close. Light producer interest was seen in the physical market with consumers maintaining their withdrawn position, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
March	1277-1281	+6.5	1281-1274
May	1297-1298	+4.0	1304-1295
July	1325-1327	+4.0	1330-1321
Sept	1344-1346	+5.0	1350-1341
Dec	1370-1372	+6.0	1375-1368
March	1393-1398	+8.0	1401-1392
May	1415-1418	+5.5	1419-1412

Sales: 2,230 (3,044) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for March 19: 1,595.27 (1,590.77); 10-day average for March 20: 1,592.81 (1,591.28).

POTATOES

The PMB released end of February stock figures at 2.098m tonnes based on 73 per cent of producer returns. The London market opened nervously £1.00 down and despite the Dutch market being Fl 1.5 weaker, immediate buying interest emerged. The April position struggled in thin volume while concerted buying in May pushed the April-May spread out to £23.80 by the close with both positions finishing close to the highs of the day, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	166.40	160.00	166.50-164.50
May	190.00	187.00	190.50-187.50
Nov	95.00	96.00	96.00-94.50
Feb	109.50	107.50	—
Apr	137.80	135.30	138.00-135.00

Sales: 989 (1,048) lots of 40 tonnes.

SUGAR

PARIS—(FFr per tonne): May 1268-1270, Aug 1293-1298, Oct 1320-1324, Dec 1346-1360, March 1370-1390, May 1410-1425.

No. 6 Contract	Y'st'rd'ys close	Previous close	Business done
	$ per tonne		
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

LONDON DAILY PRICE—Raw sugar $168.00 (£105.00), down $5.00 (down £3.00) a tonne for April-May delivery. White sugar $224.50, down $3.00.

Tate and Lyle delivery price for granulated basis sugar was £222.00 (£225.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean port). Prices for March 18: Daily price 7.37 (7.60); 15-day average 7.56 (same).

RUBBER

PHYSICALS — The London market opened easier, was neglected throughout the day and closed very quiet, reports Lewis and Peat. Closing prices (buyers): Spot 60.50p (61.00p) April 61.00p (60.50p); May 61.25p (61.75p). The Kuala Lumpur fob prices (Malaysia cents a kilo): RSS No 1 227.0 (229.5); SMR 20 193.0 (193.5).

FUTURES—Index 594, April 59.00-60.00, April/June 58-60, July/Sept 59-60. Sales: nil.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.59p per kg lw (-0.45). GB—Sheep 203.29p per kg est dcw (+12.73). GB—Pigs 81.59p per kg lw (—). FUTURES—Pigs: April 89.60. Sales: 14. Live cattle: April 98.30, June 99.80. Sales: 2.

US MARKETS

FAILURE of the April-May spread in crude oil futures to widen prompted further liquidation in the April contract, reports Drexel Burnham Lambert. After opening higher against firmer cash prices, profit-taking and trade selling kept the market under pressure in the face of intermittent short-covering rallies. Gold, silver and platinum futures were extremely lacklustre, trading in narrow ranges throughout a day dominated by the locals. In copper, however, early fund-type buying pushed the market through overhead resistance commencing 63.80c, basis May, where trade selling emerged to take the market to the lows. Fresh buying towards the close took prices back off the lows. Origin selling was noted in coffee futures but short-covering on continued reports of a possible producer meeting this weekend steadied prices. Cocoa opened lower but trade and commission house buying saw the nearby May position move to a premium over forward months. Early commission house selling eased sugar futures but trade support was uncovered at the lows which, combined with fund buying, steadied prices in light volume. The grains markets were quiet, consolidating after recent movements. In the meats pork bellies moved to limit-up on anticipation of tight supplies, while in the hogs continued firm cash premiums kept the market steady.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
March	59.90	59.85		
May	59.00	58.75	59.30	59.00
July	58.20	57.90	58.45	58.30
Sept	57.35	57.05	—	—
March	57.05	56.75	—	—
May	57.05	56.75	—	—
July	57.05	56.75	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
May	1943	1930	1955	1930
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
March	102.50	102.00	102.40	102.75
May	107.00	105.21	107.25	105.50
July	108.50	107.33	109.00	107.15
Sept	110.70	109.79	110.50	109.20
Dec	112.55	110.29	112.50	110.50
March	113.01	112.14	113.01	113.00
May	115.00	113.00	—	—
July	118.50	115.82	118.50	118.00

COPPER 25,000 lb, cents/lb; COTTON 50,000 lb, cents/lb; CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels — [illegible]

	Close	Prev	High	Low
Dec	17.50	17.35	17.50	17.50
Jan	17.55	17.35	17.55	17.55

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
March	405.3	405.1	—	—
April	406.1	406.0	406.5	404.6
May	408.2	408.1	—	—
June	410.4	410.3	410.7	408.6
August	414.7	414.5	414.3	413.2
Oct	418.5	418.4	—	—
Dec	422.5	422.4	422.7	421.9
Feb	426.5	426.4	426.0	426.0

HEATING OIL 42,000 US gallons, cents/US gallons; ORANGE JUICE 15,000 lb, cents/lb; PLATINUM 50 troy oz, $/troy oz; SILVER 5,000 troy oz, cents/troy oz; SUGAR WORLD "11" 112,000 lb, cents/lb — [illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb; LIVE HOGS 30,000 lb, cents/lb; PORK BELLIES 38,000 lb, cents/lb; MAIZE 5,000 bu min, cents/56lb bushel; SOYABEANS 5,000 bu min, cents/60lb bushel; SOYABEAN MEAL 100 tons, $/ton; SOYABEAN OIL 60,000 lb, cents/lb; WHEAT 5,000 bu min, cents/60-lb bushel — [illegible]

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 558.0 (557.5) cents per troy ounce. New York tin 316.7 (316.8) cents per pound.

FREIGHT FUTURES

The market opened above the 1,000 level, basis April. Thereafter, trading was brisk with good buying interest apparent. Gulf/Japan was rumoured to have fixed at $15.75. Allied to this talk of substantial Soviet interest rallied the market further to close near the highs, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	1012	1019/1005	998/999
July	895/900	900/870	850/855
Oct.	955	955/945	933/933
Jan.	950	955/940	928/930
Apr.	960/980	—	930/950
July	840	840/830	820/826.5
Oct.	900	—	900
Jan.	—	—	905
BFI.	924	—	909

Turnover: 632 (396).

GRAINS

Old crop wheat was dominated by March short-covering, reaching new contract highs in the morning, although May and July attracted shipper short-term profit-taking. Old crop barley steadied on the back of wheat but again eased in later trading. New crops found consumer selling absorbing good shipper buying interest, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
	£ per tonne		£ per tonne	
Mar	118.95	+0.05	115.15	+0.65
May	118.90	+0.05	113.50	—0.10
July	120.75	—0.15	—	—
Sep.	99.60	—0.35	99.00	—0.15
Nov.	101.70	—0.30	101.15	—0.55
Jan.	104.20	—0.50	103.65	—
Mar.	106.65	—0.55	105.70	—0.55

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: April/May 95.00, June 94.25. US No 2 Soft Red Winter: June 89.75, July 87.50. French 11½-12 per cent: March 142.25. English feed, fob: May 118.00 value, April 119.50 buyer, April-June 120.00-120.50, July 121.00-121.50. Sept 102.00 value. Oct/Dec 104.00-104.50, Jan/March 108.00-110.00 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast second-half March 115.00-116.00 buyer/seller. Barley: English feed, fob: March 115.00-116.00 buyer/seller. Forehead, May/June 119.00 seller English.

HGCA—Locational ex-farm spot prices. Feed barley: E. East 114.00, N. West 112.80. The UK monetary coefficient for the week beginning Monday, March 23 will remain unchanged.

Business done—Wheat: March 118.10-8.80, May 119.10-8.80, July 121.00-20.75, Sept untraded, Nov 101.90-1.70, Jan 104.40-4.20, March 106.90-6.65. Sales: 437 lots of 100 tonnes. Barley: March 115.75-5.15, May 114.00-3.50, Sept untraded, Nov 101.15-1.10, Jan untraded, March 105.85. Sales: 62 lots of 100 tonnes.

OIL

Crude trading was largely confined to May Brent which opened at $17.85 and peaked at $17.90 before easing back to $17.70 by the close. End of March Ninian sold at $18.30. April WTI opened 1c up at $18.93 and traded 32c down at 1.30 pm EST. In the petroleum products market all products but fuel oil were a touch weaker with traders uncertain of market direction. Fuel oil was still firm relative to other products but weaker on the day — Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	[illegible]	[illegible]
Arab Heavy	[illegible]	[illegible]
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1pm est)	[illegible]	[illegible]
Forcados (Nigeria)	[illegible]	[illegible]
Urals (cif NWE)	[illegible]	[illegible]
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	[illegible]	[illegible]
Gas Oil	[illegible]	[illegible]
Heavy fuel oil	[illegible]	[illegible]
Naphtha	[illegible]	[illegible]

Petroleum Argus estimates.

HEAVY FUEL OIL

Month	Yesterday's close	+ or —	Business Done
	US $ per tonne		
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Turnover: 9 (81) lots of 100 tonnes.

GAS OIL FUTURES

Month	Yesterday's close	+ or —	Business Done
	US $ per tonne		
Apr	147.25	[illegible]	[illegible]
May	144.50	[illegible]	[illegible]
June	143.00	[illegible]	[illegible]
July	142.00	[illegible]	[illegible]
Aug	142.00	[illegible]	[illegible]

Turnover: 3,808 (2,725) lots of 100 tonnes.

EEC coal imports

THE EEC imported 185.5m tonnes of coal in 1986, 5.1 per cent less than the year before. Imports declined in all 12 member countries except the Netherlands, West Germany and Portugal. Britain registered the sharpest decline, with 15.9 per cent, followed by France, with 10.3 per cent.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound up from early lows

STERLING RECOVERED from early lows in currency markets yesterday. It opened sharply weaker as foreign investors took *profits. This* followed comments by Mr Nigel Lawson, Chancellor of the Exchequer, which suggested that the authorities had an upper limit on sterling in mind.

Speculators and foreign investors paused for thought and this prompted some profit taking. However the pound retained its bullish undertone with speculators looking for a Conservative win at the next *general* election. In addition demand for sterling was enhanced by overseas demand for UK gilt *stocks* and equities.

The pound's exchange rate index finished at 72.3 which was down from an opening level of 72.5 and Wednesday's close of 72.6 but up from the day's low of 72.1.

Against the dollar, the pound closed at $1.6035 from $1.6060. It was also a little weaker against the D-Mark at DM2.94 from 2.95 and Y242.75 *compared* with Y244.0. Elsewhere it finished at FFr 9.7850 from FFr 9.8125 and SFr 2.46 from SFr 2.47. UK *money* supply figures appeared to have little effect on trading.

The dollar *finished slightly* weaker *on the day* in very quiet trading. A 0.9 per cent rise in US personal income in February and a 1.7 per cent gain in personal consumption appeared to provide little stimulus and there was certainly no renewed incentive to test central bank resolve to keep the US unit steady. The dollar closed at *DM* 1.8335 from DM 1.8365 and Y151.45 from Y151.90. Elsewhere it finished at FFr 6.1025 *from FFr* 6.1100 and SFr 1.5345 compared with SFr 1.5380. On Bank of England figures, *the dollar's* exchange rate index fell to 103.1 from 103.3.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. February average 1.8234. Exchange rate index 147.2 against 141.5 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8336 from DM 1.8371 previously. Trading was extremely dull and lacklustre with the dollar confined to a narrow range because of fears of central bank intervention. The dollar closed at DM 1.8330 from DM 1.8375 on Wednesday night.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. February average 153.36. Exchange rate index 211.5 against 217.8 six months ago.

Trading provided very little excitement in Tokyo yesterday. Once again the dollar remained confined to a narrow range as the market could find no incentive to try and overcome central bank resistance at either end of the dollar's current narrow trading range.

The dollar closed at Y151.90 compared with Y151.85 in New York and Y151.90 in Tokyo on Thursday.

NIGERIAN *NAIRA*—The naira continued to lose ground against the dollar. After yesterday's auc*tion in Lagos, the dollar was set at* 4.0002 compared with 3.8999. This shows a devaluation by the naira *of over 80 per cent since the auc*tion was introduced last September. The effective rate for transactions which includes a 0.5 per cent levy by the central bank was 4.0203 compared with 3.9192 the previous week. The whole $50m on offer was allocated after bids which totalled £65.8m.

£ IN NEW YORK

Mar 19	Latest	Previous Close
£ Spot	1.6005-1.6015	1.6070-1.6080
1 month	0.48-0.45 pm	0.49-0.48 pm
3 months	1.24-1.20 pm	1.27-1.24 pm
12 months	4.03-3.93 pm	4.10-4.00 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		Mar. 19	Previous
8.30	am	72.5	72.4
9.00	am	72.4	72.4
10.00	am	72.1	72.3
11.00	am	72.2	72.5
Noon		72.2	72.6
1.00	pm	72.2	72.5
2.00	pm	72.2	72.4
3.00	pm	72.3	72.6
4.00	pm	72.3	72.6

CURRENCY RATES

Mar. 19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.793316	0.708535
U.S. Dollar	5.5	1.26994	1.13295
Canadian $	7.44	*	1.49096
Austrian Sch.	4	16.3994	14.5878
Belgian Franc	8	48.2958	43.0548
Danish Krone	7	8.75814	7.80941
Deutsche Mark	3.0	2.32856	2.07613
Neth. Guilder	4½	2.65195	2.34577
French Franc	9½	7.75044	6.90815
Italian Lira	12	1656.19	1477.36
Japanese Yen	2½	192.904	171.585
Norway Krone	8	8.79433	7.84169
Spanish Peseta	—	N/A	145.402
Swedish Krona	7½	8.13206	7.25199
Swiss Franc	3.5	1.94878	1.73794
Greek Drach.	20½	170.383	152.427
Irish Punt	—	N/A	0.775726

*C$/SDR rate for Mar. 18: 1.46611

CURRENCY MOVEMENTS

March 19	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.5	−21.4
U.S. Dollar	103.1	−4.2
Canadian Dollar	79.2	−9.3
Austrian Schilling	138.2	+10.3
Belgian Franc	100.1	−4.4
Danish Krone	93.2	+3.8
Deutsche Mark	147.2	+21.6
Swiss Franc	171.6	+21.6
Guilder	134.6	+14.0
French Franc	71.8	−12.7
Lira	48.1	−16.8
Yen	211.5	+57.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Mar. 19	£	$
Argentina	2.4590-2.4705	1.5350-1.5410
Australia	2.3330-2.3365	1.4565-1.4575
Brazil	32.4775-32.6665	20.2720-20.3730
Finland	7.1995-7.2120	4.4945-4.4965
Greece	213.80-217.60	133.20-135.50
Hong Kong	12.4940-12.5015	7.7990-7.8010
Iran	115.70*	72.00*
Korea (Sth)	1363.25-1375.60	848.40-855.50
Kuwait	0.44370-0.44440	0.27720-0.27740
Luxembourg	60.90-61.00	37.95-38.05
Mexico	1747.30-1754.30	1088.00-1091.00
Malaysia	4.0390-4.0440	2.5215-2.5235
N. Zealand	2.8580-2.8680	1.7840-1.7875
Saudi Ar.	6.0035-6.0090	3.7500-3.7510
Singapore	3.4305-3.4350	2.1415-2.1435
S. Af. (Cm)	3.3260-3.3490	2.0835-2.0875
S. Af. (Fn)	5.2540-5.4330	3.2785-3.3900
Taiwan	55.30-55.60	34.45-34.55
U.A.E.	5.8795-5.8850	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0548	+1.41	+0.98	±1.5344
Danish Krone	7.85212	7.809411	−0.54	−0.97	±1.6404
German D-Mark	2.05853	2.07613	+0.85	+0.42	±1.0981
French Franc	6.90403	6.90815	+0.06	−0.37	±1.3674
Dutch Guilder	2.31943	2.34577	+1.14	+0.71	±1.5012
Irish Punt	0.768411	0.775726	+0.95	+0.52	±1.6684
Italian Lira	1483.58	1477.36	−0.42	—	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5956-1.6070	1.6030-1.6040	0.48-0.45 c pm	3.48	1.25-1.20 pm	3.06
Canada	2.1055-2.1105	2.1095-2.1105	0.54-0.44 c pm	2.79	1.33-1.19 pm	2.39
Neth'lands	3.30½-3.33	3.31½-3.32½	1¼-1⅛ c pm	4.52	3½-3¼ pm	4.07
Belgium	60.61-61.10	60.90-61.00	17-12 c pm	2.85	40-31 pm	2.33
Denmark	11.03-11.08	11.05½-11.06½	¼-1½ ore dis	−1.22	3½-4¾ dis	−1.42
Ireland	1.0930-1.1015	1.1960-1.0970	0.20-0.37 p dis	−3.23	0.77-1.10 dis	−3.41
W. Germany	2.92½-2.94¼	2.93½-2.94½	1½-1⅜ pf pm	6.12	4⅛-3⅞ pm	5.44
Portugal	225.28-226.72	225.65-226.55	68-137 c dis	−5.44	257-392 dis	−5.74
Spain	205.12-206.18	205.45-205.75	74-105 c dis	−5.25	207-257 dis	−4.54
Italy	2074-2093¾	2092-2093	4-par lire pm	1.43	6-1 pm	0.67
Norway	11.07½-11.12	11.10¾-11.11¾	3¾-4⅝ ore dis	−4.52	13⅝-14⅛ dis	−5.06
France	9.72½-9.80¼	9.78-9.79	1⅝-1⅛c pm	1.84	3⅜-2⅞ pm	1.35
Sweden	10.23¾-10.27	10.26-10.27	1½-2⅛ ore dis	−2.12	4-4⅝ dis	−1.68
Japan	242-243¾	242¼-243¼	1⅛-1 y pm	5.56	3⅛-3 pm	5.30
Austria	20.59-20.67	20.61-20.64	10⅛-9gro pm	5.60	28⅛-24⅛ pm	4.93
Switzerland	2.44¾-2.46½	2.45½-2.46½	1⅛-1c pm	5.49	3⅛-3⅛ pm	5.28

Belgian rate is for convertible francs. Financial franc 61.20-61.30. Six-month forward dollar 2.22-2.17 c pm 12-month 4.01-3.91 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5955-1.6070	1.6030-1.6040	0.48-0.45c pm	3.48	1.25-1.20 pm	3.06
Ireland†	1.4570-1.4608	1.4575-1.4585	0.94-0.86c pm	7.36	2.45-2.20 pm	6.37
Canada	1.3130-1.3162	1.3150-1.3160	0.05-0.09c dis	−0.64	0.20-0.24 dis	−0.67
Netherlands	2.0690-2.0730	2.0705-2.0715	0.18-0.15c pm	0.96	0.55-0.50 pm	1.01
Belgium	37.95-38.26	37.95-38.05	1-3c dis	−0.63	5-9 dis	−0.74
Denmark	6.88¼-6.90¼	6.89½-6.90	2.00-2.70ore dis	−4.09	6.70-7.40 dis	−4.09
W. Germany	1.8295-1.8355	1.8330-1.8340	0.40-0.37pf pm	2.52	1.14-1.09 pm	2.43
Portugal	140¼-141¼	141-141¼	85-125c dis	−8.94	270-350 dis	−7.59
Spain	128.20-128.35	128.25-128.35	90-100 c dis	−8.88	245-265 dis	−7.95
Italy	1301-1306	1304¾-1305¼	2-3lire dis	−2.30	7-9 dis	−2.46
Norway	6.91¼-6.95	6.92½-6.93	4.35-4.85ore dis	−7.97	13.80-14.30 dis	−8.12
France	6.08¼-6.10¼	6.10-6.10¼	0.80-0.90c dis	−1.67	2.47-2.72 dis	−1.70
Sweden	6.39¼-6.40½	6.40-6.40½	2.75-3.05ore dis	−5.44	7.25-7.65 dis	−4.65
Japan	151.20-151.85	151.40-151.50	0.28-0.25y pm	2.10	0.85-0.80 pm	2.18
Austria	12.86¼-12.88¼	12.87½-12.88	2.50-2.00gro pm	2.10	6.50-5.50 pm	1.86
Switzerland	1.5310-1.5355	1.5340-1.5350	0.30-0.25c pm	2.15	0.98-0.93 pm	2.49

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.15-38.25.

EURO-CURRENCY INTEREST RATES

Mar. 19	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10¼-10⅛	10⅛-10⅛	9⅞-10	9⅞-9⅞	9¾-9⅝	9⅝-9⅝
U.S. Dollar	5⅞-6	6⅛-6⅛	6⅜-6½	6⅜-6½	6⅜-6½	6⅞-6⅞
Can. Dollar	6¾-7	6⅞-7	6⅞-7	6⅞-7⅛	7-7⅛	7⅛-7⅛
D. Guilder	5⅛-5⅜	5⅛-5⅜	5⅛-5⅜	5⅛-5½	5⅜-5½	5⅜-5⅜
Sw. Franc	⅞-1	⅞-⅞	4⅛-4⅛	3⅞-4	3⅞-3⅞	3⅞-3⅞
Deutschmark	3⅞-3⅞	3⅞-3⅞	3⅞-4	3⅞-4	3⅞-4⅛	4⅛-4⅛
Fr. Franc	8⅛-8⅛	8-8⅛	7⅞-8	7⅞-8	7⅞-8	8⅛-8⅛
Italian Lira	8-10	8⅛-9⅛	8⅞-9⅛	8⅞-9⅛	9-9⅜	9⅛-9⅞
B. Fr. (Fin.)	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7½	7⅛-7½
B. Fr. (Con.)	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞
Yen	4⅛-4⅛	4⅛-4⅛	4½-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛
D. Krone	10⅛-10⅞	10⅛-10⅞	10⅞-11⅛	10⅞-11⅛	10⅞-11⅛	10⅞-11⅛
Asian $ (Sing.)	2½-1½	N/A	3⅛-3⅛	3⅛-3⅛	3⅛-3⅛	3⅛-3⅞

Long-term Eurodollars: Two years 6¾-7 per cent; three years 7-7¼ per cent; four years 7⅜-7⅝ per cent; five years 7½-7¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar. 19	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.604	2.940	242.8	9.785	2.460	3.320	2093.	2.110	60.95
$	0.624	1.	1.834	151.5	6.103	1.534	2.071	1305.	1.316	38.00
DM	0.340	0.545	1.	82.57	3.328	0.837	1.129	711.7	0.718	20.73
YEN	4.119	6.606	12.11	1000.	40.31	10.13	13.68	8620.	8.692	251.1
F Fr.	1.022	1.639	3.005	248.1	10	2.514	3.393	2138.	2.156	62.29
S Fr.	0.407	0.652	1.195	98.68	3.978	1.	1.350	850.6	0.858	24.78
H Fl.	0.301	0.483	0.886	73.12	2.947	0.741	1.	630.3	0.636	18.36
Lira	0.478	0.766	1.405	116.0	4.676	1.176	1.587	1000.	1.008	29.13
C $	0.474	0.760	1.393	115.0	4.637	1.166	1.573	991.7	1.	28.89
B Fr.	1.641	2.631	4.824	398.3	16.05	4.036	5.447	3433.	3.462	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Long gilts recover

VOLUME OF trading in long term gilt futures remained good, but fell back from Wednesday's *record level*, on the London International Financial Futures Exchange.

Traders were encouraged by the ability of the contract to hold on to recent gains, in spite of a general move in favour of selling at present levels.

June delivery long gilt futures opened weaker at 126-08, on suggestions that the contract had been overbought after the Budget and recent encouraging news on the UK public sector borrowing requirement. Dealers said gilt futures were discounting all the recent good news and the June contract was moving towards the *important technical level of* 130-00.

The temptation to sell was offset by news that the Government is to sell its remaining 32 per cent stake in British Petroleum, and by Japanese buying *of* gilts during Tokyo trading.

Salomon Brothers were also reported to be keen buyers at the 126.00 level and June long term gilts recovered to close little changed on the day at 126-10, compared with 126-11 on Wednesday.

Dealers commented that the UK bank lending and money supply figures were within the range of most forecasts and had little impact. The rise of 2.25 per cent in February M3 money supply, compared with 1.1 per cent in January, was higher than expected, but the trend in M0 and bank lending was encouraging.

June three-month sterling deposits suffered similar pressures to the long gilt contract, including an early weakening of sterling. After opening lower at 91.00 short term deposits fell to a low of 90.95 and closed at 91.01, compared with the previous settlement of 91.03.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	14.21	14.25	0.01	0.09
114	12.22	12.33	0.02	0.17
116	10.27	10.45	0.07	0.29
118	8.34	9.00	0.14	0.48
120	6.42	7.27	0.22	1.11
122	5.02	5.63	0.46	1.47
124	3.41	4.46	1.21	2.30
126	2.30	3.41	2.10	3.25

Estimated volume total, Calls 3,101 Puts 878
Previous day's open int: Calls 18,090 Puts 10,650

LIFFE US TREASURY BOND OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	8.56	8.04	0.00	0.16
94	6.57	6.21	0.01	0.33
96	4.60	4.49	0.04	0.61
98	3.08	3.28	0.16	1.40
100	1.43	2.23	0.51	2.35
102	0.46	1.34	1.54	3.46
104	0.15	0.60	3.23	5.08
106	0.04	0.35	5.12	6.47

Estimated volume total, Calls 40 Puts 0
Previous day's open int: Calls 330 Puts 247

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Apr	Puts-Last Mar	Puts-Last Apr
19000	9.80	14.06	0.00	0.46
19250	7.32	11.87	0.02	0.77
19500	4.91	9.82	0.11	1.22
19750	2.78	7.95	0.48	1.85
20000	1.23	6.28	1.43	2.68
20250	0.40	4.84	3.10	3.74
20500	0.09	3.63	5.29	5.03
20750	0.01	2.65	7.71	6.56

Estimated volume total, Calls 10 Puts 20
Previous day's open int: Calls 757 Puts 677

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.30	—	—	30.20	30.20	—	—	0.00	0.02
1.35	—	—	25.20	25.20	—	—	0.00	0.10
1.40	20.20	20.20	20.20	20.20	0.00	0.00	0.04	0.32
1.45	15.20	15.20	15.20	15.20	0.00	0.02	0.19	0.84
1.50	10.20	10.20	10.20	10.20	0.00	0.18	0.69	1.85
1.55	5.20	5.33	5.95	6.61	0.15	0.90	1.90	3.56
1.60	1.42	2.29	3.17	4.10	1.54	2.86	4.12	6.05

Estimated volume total, Calls 55, Puts 25
Previous day's open int, Calls 862, Puts 1,108

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last April	May	June	Sept.	Puts—Last April	May	June	Sept.
1.35	—	—	—	—	—	—	—	—
1.40	—	—	—	—	—	—	—	—
1.45	—	—	—	—	—	—	—	—
1.50	10.50	10.50	10.50	10.70	0.30	0.55	0.80	1.90
1.55	5.30	5.70	6.20	7.00	0.50	1.20	1.90	3.50
1.60	1.70	2.55	3.10	4.40	2.00	3.35	3.90	5.80
1.65	0.50	1.05	1.45	2.60	5.65	6.90	7.20	9.00

Previous day's open int: Calls 853 Puts 649
Volume: N/A

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.400	19.40	—	19.70	19.70	—	—	0.20	0.30
1.450	14.45	14.70	15.70	24.70	—	0.05	0.15	0.80
1.475	12.20	12.20	12.40	22.20	—	0.10	0.30	1.20
1.500	9.45	9.70	10.00	10.10	0.05	0.20	0.50	1.80
1.525	7.30	7.35	7.45	8.05	0.05	0.50	0.90	2.40
1.550	4.80	5.20	5.70	6.40	0.15	1.00	1.50	3.10
1.575	2.70	3.50	4.10	5.00	0.75	1.80	2.10	4.40

Previous day's open int. Calls 70,966 Puts 39,058
Previous day's volume, Calls 7,373 Puts 37

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last June	Sept.	Dec.	Mar.	Puts—Last June	Sept.	Dec.	Mar.
93.00	0.61	0.67	0.66	—	0.02	0.07	0.13	—
93.25	0.39	0.47	0.48	—	0.05	0.12	0.20	—
93.50	0.21	0.31	0.33	—	0.12	0.21	0.30	—
93.75	0.09	0.18	0.21	—	0.25	0.33	0.43	—
94.00	0.03	0.10	0.12	—	0.44	0.50	0.59	—
94.25	0.01	0.04	—	—	0.67	0.69	—	—
94.50	0.00	0.02	—	—	0.91	0.92	—	—

Previous day's open int: Calls 375, Puts 510
Estimated volume, Calls 5, Puts 5

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
March	126-09	126-10	126-00	126-04
June	126-10	126-19	125-27	126-11
Sept.	126-08	—	—	126-09
Dec.	126-12	—	—	126-13

Estimated volume 31,956 (48,267)
Previous day's open int. 19,378 (19,080)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING
£500,000 points of 100%

[illegible]

FT-SE 100 INDEX
$25 per full index point

[illegible]

THREE-MONTH EURODOLLAR
$1m points of 100%

[illegible]

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar.	102-02	102-02	101-24	101-29
June	100-29	100-30	100-18	100-25
Sept.	99-29	99-30	99-20	99-25
Dec.	98-30	98-30	98-22	98-27
Mar.	98-00	98-00	97-26	97-30
June	97-04	97-04	96-30	97-02
Sept.	—	—	—	96-08
Dec.	—	—	—	95-15
Mar.	—	—	—	94-24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%

[illegible]

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Jun.	0.6553	0.6563	0.6550	0.6551
Sep.	0.6595	0.6603	0.6586	0.6590
Dec.	0.6640	0.6646	0.6640	0.6632
Mar.	—	—	—	0.6671

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
June	0.6637	0.6643	0.6628	0.6627
Sept.	0.6676	0.6676	0.6670	0.6665
Dec.	0.6718	0.6718	0.6718	0.6704
Mar.	—	—	—	0.6744

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
June	0.5486	0.5492	0.5483	0.5483
Sept.	0.5519	0.5520	0.5515	0.5514
Dec.	0.5554	0.5557	0.5554	0.5545
Mar.	—	—	—	0.5576

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	93.40	93.40	93.38	93.39
June	93.24	93.24	93.22	93.23
Sept.	—	93.06	93.03	93.03
Dec.	—	92.86	92.83	92.83
Mar.	—	—	—	93.39

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar.	293.00	293.40	291.80	292.65
June	294.80	295.30	293.70	294.55
Sept.	296.30	296.70	295.50	296.00
Dec.	297.00	297.70	296.80	279.30

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6035	[illegible]	[illegible]	[illegible]	1.5639

IMM—STERLING $s per £

	Latest	High	Low	Prev
June	1.5900	1.5925	1.5865	1.5950
Sept.	1.5815	1.5825	1.5760	1.5840
Dec.	1.5735	1.5740	1.5670	1.5775
Mar.	1.5640	0	0	1.5675

LIFFE—STERLING £25,000 $ per £

	Latest	High	Low	Prev
June	1.5905	1.5916	1.5875	1.5960
Sept.	1.5805	—	—	1.5860
Dec.	1.5715	—	—	1.5765

Estimated volume 18 (44)
Previous day's open int. 284 (272)

MONEY MARKETS

UK rates steady

MONEY SUPPLY growth and UK bank lending figures had little *impact on* the London money market yesterday. Three-month interbank finished unchanged at 9⅞-9⅞ per cent.

Underlying sentiment remained good, however, as dealers continued *to look for another cut of* ½ per cent in bank base rates, while a larger than forecast fall in February UK unemployment lent support to the mood.

UK clearing bank base lending rate 10 per cent since March 18-19

A rise of £1.6bn in February Bank lending was lower than generally *forecast*, and a fall of 0.75 per cent to 1 per cent in sterling M0 money supply growth was also regarded *favourably*, but a rise of 2.25 per cent in M3 growth was higher than expected.

The Bank of *England* absorbed yeserday's shortage of credit in the money market without difficulty, although *discount houses* remained reluctant to sell longer *dated* paper to the authorities, in expectation of lower dealing rates in the near future.

The Bank *of England* initially forecast a money market shortage of £450m, but revised this to £400m at noon. Total *help of* £412m was provided.

Before lunch the authorities bought £181m bills outright, by way of £65m bank bills in band 1 at 9⅞ per cent; £114m bank bills in band 2 at 9⅞ per cent; and £2m bank bills in band 3 at 9¾ per cent.

In the afternoon the Bank of England purchased another £191m bills outright, through £15m bank bills in band 1 at 9⅞ per cent and £176m bank bills in band 2 at 9⅞ per cent.

Late assistance *of around £40m* was also provided.

Bills maturing in official hands, repayment of *late assistance and* a take-up of Treasury bills drained £650m, with a rise in the note circulation *absorbing* £30m. These outweighed Exchequer transactions adding £35m to liquidity and bank balances above *target* by £200m.

In Frankfurt the West German Bundesbank *left* its credit policies unchanged at yesterday's council meeting. The discount rate was held at 3 *per cent* and the Lombard rate at 5 per cent.

The Bundesbank's currency reserves *fell DM 5.5bn in* the second week of March to DM 104.3bn, as liabilities incurred by foreign central banks fell due. The West German central bank *lent* D-Marks to other members of the European Monetary System in January, before the last realignment, *when there* was pressure on the system.

In Amsterdam the Dutch Central Bank *will hold a tender* today for five-day special advances at an unchanged rate of 5.3 per cent. This replaces *DFl 6.5bn of* 11-day advances expiring today.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar. 19) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 ⅜	offer 6½	bid 6 ⅜	offer 6 ½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	7½-7¼
Fed. funds	6⅛
Fed funds at intervention	6½

Treasury Bills and Bonds

One month	5.39	Three year	6.50
Two month	5.49	Four year	6.68
Three month	5.63	Five year	6.75
Six month	5.70	Seven year	6.99
One year	5.93	10 year	7.18
Two year	6.35	30 year	7.49

Mar. 19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.70-3.80	3.90-4.00	3.90-4.00	3.90-4.05	3.90-4.05	5.0
Paris	8⅛-8⅛	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7⅞-8	7¾
Zurich	⅞-1⅛	4⅛-4⅛	—	3⅞-4⅛	—	—
Amsterdam	5⅛-5⅜	5⅛-5½	—	5⅛-5½	—	—
Tokyo	3.78125	4.09375	—	4.03125	—	—
Milan	10¼-11¼	10¼-10¾	—	10⅛-10⅞	—	—
Brussels	8.20	7⅛-7⅛	—	7⅛-7⅛	—	—
Dublin	14¼-14½	14⅛-14⅛	13⅞-13⅞	13⅞-13⅞	12½-12¾	—

LONDON MONEY RATES

Mar. 19	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10½-8	10⅛-10⅛	10⅛-9⅞	9⅞-9⅞	9⅞-9⅝	9⅝-9⅛
Sterling CDs.	—	—	9⅞-9⅞	9⅞-9⅞	9⅝-9⅝	9⅛-9
Local Authority Deposits	10⅛-10⅛	10⅛-10⅛	10-9⅞	9½	9⅝	9⅝-9⅛
Local Authority Bonds	—	—	—	—	—	—
Discount M'ket Deposits	10⅛-9	10⅛	9⅞	9⅞	—	—
Company Deposits	10⅛	10⅛	10-9⅞	9⅞	9⅞	9⅝
Finance House Deposits	—	—	9⅞	9⅞	9⅞	9⅝
Treasury Bills (Buy)	—	—	9⅞	9⅝	—	—
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9⅝ per cent; three-months 9⅝ per cent; Bank Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent; Treasury Bills: Average tender rate of discount 9.2935 p.c. ECGD Fixed Finance Scheme IV reference date January 31 to February 27 (inclusive): 10.898 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from March 1, 1987: Bank Deposit Rates for sums at seven days' notice 5 per cent. Certificates of Tax Deposit (Series 6). Deposit £100,000 and over held under one month 8 per cent; one-three months 8 per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-12 months 8½ per cent; Under £100,000 8 per cent from March 18. Deposits held under Series 5 10¾ per cent. Deposits withdrawn for cash 5 per cent.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, March 18, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

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ECU=$US1.13161 SDR1=$US1.26927
As of March 18, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6½	6½
Sibor:	6½	6½

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6052	Papua New Guinea	Kina	0.9256
Albania	Lek	6.2921	Greece	Drachma	134.56	Paraguay	Guarani (o)	240.00
Algeria	Dinar	4.63	Greenland	Danish Krone	6.903		Guarani (p)	550.00
Andorra	French Franc	6.108	Grenada	E. Caribbean $	2.70		Guarani (d)	700.00
	Spanish Peseta	128.58	Guadaloupe	Franc	6.108	Peru	Inti (o) (n) (3)	14.89
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	20.35
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00		Inti (f) (3)	18.62
Argentina	Austral (2)	1.538		Quetzal (k, f)	2.93	Philippines	Peso	20.57
Aruba	Florin	1.79	Guinea Bissau	Peso	170.479	Pitcairn Islands	N.Z. Dollar	1.7562
Australia	Dollar	1.4565	Guinea Republic	Franc	340.00	Poland	Zloty (o)	240.00
Austria	Schilling	12.895		Franc (f)	300.00	Portugal	Escudo	141.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

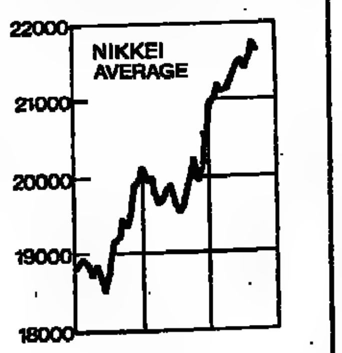
Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	WEDNESDAY MARCH 18 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	DOLLAR INDEX 1986/87 High	1986/87 Low	Year ago
Australia (94)	114.57	+0.8	105.77	110.87	3.04	114.57	70.18	85.95
Austria (16)	93.80	-1.1	86.60	89.37	1.74	101.62	70.60	79.63
Belgium (47)	116.12	+0.1	107.21	109.68	4.06	116.12	53.75	73.10
Canada (132)	131.95	+1.2	121.81	125.45	2.23	131.95	86.58	95.95
Denmark (39)	112.25	-0.4	103.63	105.49	2.37	124.10	87.87	100.65
France (121)	115.40	+1.2	106.53	110.60	2.26	115.47	57.72	76.95
West Germany (99)	86.29	-0.4	79.67	82.39	2.19	100.33	74.48	85.87
Hong Kong (45)	107.48	+3.4	99.23	107.61	2.89	114.71	62.87	63.44
Ireland (14)	129.92	+1.2	119.94	125.51	3.31	129.92	62.33	84.92
Italy (76)	100.25	-0.1	92.55	97.55	1.52	108.30	46.07	74.51
Japan (458)	125.51	+1.1	115.88	120.52	0.53	125.51	49.46	65.55
Malaysia (35)	126.29	+1.1	116.59	122.88	3.03	135.38	66.67	72.77
Mexico (14)	140.82	+5.8	130.01	167.52	1.21	140.82	43.00	54.90
Netherland (38)	111.17	+1.1	102.63	105.28	4.22	111.17	74.14	83.91
New Zealand (27)	92.74	-0.6	85.62	87.16	2.71	100.59	47.37	57.22
Norway (25)	125.45	+3.9	115.81	118.12	1.94	125.45	90.02	105.18
Singapore (27)	115.23	+1.3	106.38	113.96	3.28	120.40	55.94	57.69
South Africa (61)	139.33	+3.8	128.63	103.27	3.68	139.33	69.06	110.11
Spain (43)	111.49	-0.4	102.93	108.71	3.54	121.31	45.00	71.82
Sweden (33)	111.37	+1.3	102.82	105.64	2.25	111.37	63.35	79.71
Switzerland (52)	95.80	+0.1	88.44	91.35	1.86	104.06	69.01	78.00
United Kingdom (342)	130.04	+0.4	120.05	120.05	3.49	130.04	75.39	96.20
USA (581)	120.61	+0.1	111.35	120.61	2.97	120.61	85.46	98.99
Europe (945)	111.97	+0.3	103.37	105.42	2.92	111.97	69.36	86.48
Pacific Basin (686)	124.36	+1.1	114.81	119.58	0.70	124.36	51.10	66.15
Euro-Pacific (1631)	119.42	+0.8	110.25	113.91	1.53	119.42	58.45	74.16
North America (713)	121.21	+0.2	111.90	120.89	2.92	121.21	85.61	98.83
World Ex. US (1838)	120.11	+0.9	110.88	114.26	1.58	120.11	60.02	75.30
World Ex. UK (2077)	119.37	+0.6	110.20	116.46	1.98	119.37	69.65	83.53
World Ex. So. Af. (2358)	120.19	+0.5	110.96	116.86	2.11	120.19	69.95	84.45
World Ex. Japan (1961)	117.84	+0.3	108.79	114.92	2.93	117.84	79.87	93.72
The World Index (2419)	120.31	+0.6	111.07	116.77	2.13	120.31	70.14	84.61

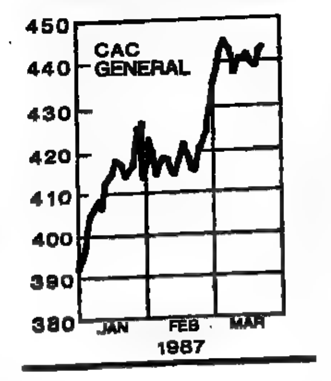
Base values: Dec 31, 1986 = 100

Latest indices not available for this edition

TOKYO



PARIS



EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$420	136	6	101	16	—	—	$404.70
GOLD C	$440	104	2.80	10	10	—	—	"
GOLD C	$460	10	2	—	—	—	—	"
GOLD P	$360	—	—	10	2	13	4.80	"
GOLD P	$370	—	—	20	3	—	—	"
GOLD P	$380	60	2	—	—	—	—	"
GOLD P	$390	35	3.30	—	—	20	12.50	"
GOLD P	$400	—	—	—	—	—	—	"

Series		Mar 87 Vol.	Mar 87 Last	Jun 87 Vol.	Jun 87 Last	Sep 87 Vol.	Sep 87 Last	Stock
SILVER C	$550	12	7	—	—	—	—	$557
£/Fl C	Fl.330	27	2.20	—	—	—	—	Fl.331.91
£/Fl C	Fl.335	17	0.10	2	4.60	2	5A	"
£/Fl C	Fl.340	—	—	17	3.40	10	3.10	"
£/Fl C	Fl.345	—	—	—	—	—	—	"
£/Fl P	Fl.330	32	0.20	—	—	—	—	"

Series		Mar 87 Vol.	Mar 87 Last	Apr 87 Vol.	Apr 87 Last	May 87 Vol.	May 87 Last	Stock
$/Fl C	Fl.195	30	12	300	12	—	—	Fl.207.12
$/Fl C	Fl.200	101	7.20	—	—	—	—	"
$/Fl C	Fl.205	65	2	14	3.60	—	—	"
$/Fl C	Fl.210	147	0.05	7	1.50	—	—	"
$/Fl C	Fl.215	—	—	2	0.50	—	—	"
$/Fl P	Fl.200	—	—	6	0.70	45	1.20	"
$/Fl P	Fl.205	148	0.50	16	1.70	118	2.50	"
$/Fl P	Fl.210	332	2.60	306	4.30B	—	—	"
$/Fl P	Fl.215	26	8	2	8	—	—	"
$/Fl P	Fl.220	7	13	—	—	—	—	"
$/Fl P	Fl.225	8	18A	—	—	—	—	"
$/Fl P	Fl.230	70	22.30	—	—	—	—	"

Series		Jan 87 Vol.	Jan 87 Last	Sep 87 Vol.	Sep 87 Last	Dec 87 Vol.	Dec 87 Last	Stock
$/Fl. C	Fl.200	—	—	5	9.80	—	—	Fl.207.12
$/Fl. C	Fl.205	1	5.10	—	—	3	7.70	"
$/Fl. C	Fl.210	10	2.80B	—	—	5	—	"
$/Fl. C	Fl.215	16	1.50	—	—	—	—	"
$/Fl. P	Fl.195	10	7	—	—	—	—	"
$/Fl. P	Fl.205	2	3.30	—	—	2	8	"
$/Fl. P	Fl.220	15	13.60	—	—	1	16.30	"

Series		Apr 87 Vol.	Apr 87 Last	Jul 87 Vol.	Jul 87 Last	Oct 87 Vol.	Oct 87 Last	Stock
ABN C	Fl.500	82	12A	20	22A	6	27	Fl.497
ABN P	Fl.500	164	9.50B	45	22	5	31B	"
AEGON C	Fl.85	306	4.50A	22	6	—	—	Fl.87.80
AEGON P	Fl.90	42	3.50B	2	5.50	2	6.50	"
AHOLD C	Fl.110	391	4.80	23	78	—	—	Fl.111.40
AHOLD P	Fl.105	121	1.30	21	4.50	23	5.10	"
AKZO C	Fl.140	612	5.30	248	7.40	29	11.50A	Fl.141.80
AKZO P	Fl.140	282	2.70	144	7.20A	25	8.30	"
AMEV C	Fl.70	144	0.70	13	2.20	24	3	Fl.64.80
AMEV P	Fl.60	—	—	15	1.50	5	2.80	"
AMRO C	Fl.80	99	1.60B	25	4	178	5.20	Fl.78.50
AMRO P	Fl.80	278	4.20A	17	5	47	6.70	"
ELSEVIER C	Fl.250	90	5	44	13.50A	30	20	Fl.249
ELSEVIER P	Fl.230	7	1.50	32	5	—	—	"
GIST-BROC. C	Fl.45	54	18	172	2.30	101	3.90	Fl.43.50
GIST-BROC. P	Fl.40	22	1	73	2	5	2.80	"
HEINEKEN C	Fl.180	55	1.70	371	3.50	20	5.50	Fl.170
HEINEKEN P	Fl.180	79	11	9	12B	—	—	"
HOOGOVENS C	Fl.40	222	0.90	38	2.10	45	3.30	Fl.36.20
HOOGOVENS P	Fl.48	278	5A	252	5.80A	19	7	"
KLM C	Fl.45	220	0.50	665	1.70	57	2.50	Fl.41.80
KLM P	Fl.45	46	3.50	147	4.90	60	6	"
NAT. NED C	Fl.75	303	1.80B	47	3.40	110	5	Fl.79.40
NAT. NED. P	Fl.70	12	0.50B	132	2.50	30	3.20	"
PHILIPS C	Fl.50	1956	0.80	850	2.20	341	3.30	Fl.48.30
PHILIPS P	Fl.50	507	3	803	3.80	30	4.30	"
ROYAL DUTCH C	Fl.240	1023	4.50	2375	6.30	280	7.30	Fl.239.30
ROYAL DUTCH P	Fl.230	1585	1.70	581	7.60	42	10.20	"
ROBECO C	Fl.100	13	1.60	3	2	—	—	Fl.101
UNILEVER C	Fl.540	738	14	239	23.50	23	31.50A	Fl.550
UNILEVER P	Fl.540	227	5.40	65	14	11	18B	"

TOTAL VOLUME IN CONTRACTS: 45,500

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

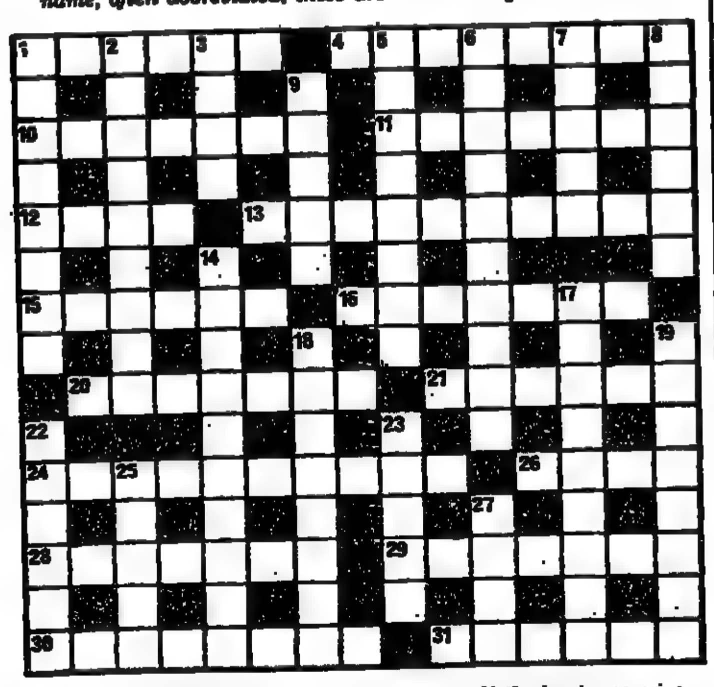
	%		%		%
ABN Bank	10	Citibank NA	10	Mat Credit Corp. Ltd.	10½
Adam & Company	10½	Citibank Savings	¶12.45	Nat Bk. of Kuwait	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	National Girobank	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Nat Westminster	10
Allied Irish Bank	10	Comm. Bk. N. East	10	Northern Bank Ltd.	10
American Exp. Bk.	10	Consolidated Cred.	10	† Norwich Gen. Trust	10
Amro Bank	10	Co-operative Bank	*10	PK Finans. Intl (UK)	11½
Henry Ansbacher	10½	Cyprus Popular Bk	10	Provincial Trust Ltd.	12
ANZ Banking Group	10½	Duncan Lawrie	10	R. Raphael & Sons	10
Associates Cap Corp.	11	E. T. Trust	12	Roxburghe G'rantee	11½
Authority & Co Ltd.	10½	Equator'l Tst C'p plc	11	Royal Bk of Scotland	10
Banco de Bilbao	10	Exeter Trust Ltd.	10½	Royal Trust Bank	10
Bank Hapoalim	10½	Financial & Gen. Sec.	10½	Standard Chartered	10
Bank Leumi (UK)	10	First Nat. Fin. Corp.	11½	Trustee Savings Bnk	10
Bank Credit & Comm	10½	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Cyprus	10½	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Ireland	10	Robert Fraser & Ptrs	11½	United Mizrahi Bank	10
Bank of India	10½	Grindlays Bank	‡10	Westpac B'nking Corp	10
Bank of Scotland	10	● Guinness Mahon	10	Whiteaway Laidlaw	11
Banque Belge Ltd	10	HFC Trust & Savings	10	Yorkshire Bank	10
Barclays Bank	10	● Hambro Bank	10		
Benchmark Tst Ltd	10	Heritable & Gen. Tst.	10		
Beneficial Trust Ltd.	12	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit. Bk. of Mid. East	10	Hongkong & Shangh'	10		
● Brown Shipley	10½	Lloyds Bank	10		
CL Bank Nederland	10	Mase Westpac Ltd.	10½		
Canada Permanent	10	Meghraj & Sons Ltd.	10		
Cayzer Ltd	10	Midland Bank	10		
● Charterhouse Bank	10	● Morgan Grenfell	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.35%. Sarewise 8.03%. Top Tier—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¼% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 12¼%.

FT CROSSWORD PUZZLE No. 6,282

CINEPHILE

Each across solution, and three of the downs, end in a boy's or girl's name, often abbreviated; these are indicated by X in the clues.



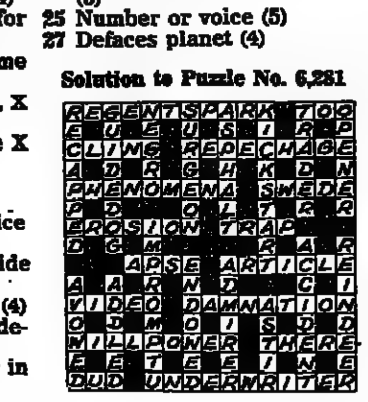
ACROSS

1 If returned, X as a party fall (6)
4 Welsh river with X on it (8)
10 Polish X making a complaint (7)
11 Church cup for church X (7)
12 Transport for 100 X (4)
13 Rascal takes picture of land or sea for X (10)
15 Painter of bird X (6)
16 Danger to X in Cornwall (7)
20 Funny with no top, X is a Greek letter (7)
21 Meagre X following first person in France (6)
24 Toad to talk a lot to X (10)
26 Southern X for legwear (4)
28 Blind saint to press X for payment (7)
29 Ghost of X following some elephants (7)
30 Old ship with girl's name, X (4,4)
31 Pluto in Egypt, very large X (6)

DOWN

1 Savage nature with other ice to fry (8)
2 A river with tidal wave inside a group of trees (9)
3 A river, partly penniless (4)
5 Half trival error upside-down; X agreed (8)
6 Tolerate effect of danger in disorderly scene (4,6)
7 I have little business on a—Spanish island (5)
8 I interrupt stormy scene with relations (6)
9 Opening to leave egg—back in car? (5)
14 City of some romance for X (10)
17 Musicians at junction with odd X (9)
18 Fielding hero coming from moon with jest (3,5)
19 Temporary dwelling half put up, with simple table (3,5)
22 An oddly made garland for the head (6)
23 Range—of micro, for example (5)
25 Number or voice (5)
27 Defaces planet (4)

Solution to Puzzle No. 6,281



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc.	269.6	286.8	+0.2	5.44
(Accum Units)	326.2	347.0	+0.3	5.44
UK Growth	334.1	355.4	-1.6	2.68
(Accum Units)	353.0	375.5	-1.8	2.68

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	40.0	42.4	-0.4	1.76
MLA Income Trust	52.7	55.8	-0.3	4.03
MLA Int	59.5	62.8	-0.4	0.86
MLA Gilt Unit Tst	25.0	26.4	—	9.84
MLA European Trust	33.2	35.3	—	0.71
MLA American Tst	27.1	28.7	+0.4	0.87

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int.	121.1	125.6	—	6.94
Growth Units	96.5	102.5	—	2.62
High Income Unit	134.8	143.9	—	3.95
High Yielding Gilt Uts	61.1	63.3	—	8.01
Intl Growth Unit Tst	151.2	160.7	—	0.34
UK Smaller Cos.	102.4	108.8	—	1.68
North American	93.7	98.9	—	0.46
Far East	117.0	124.3	—	0.08

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income March 16	299.7	318.9	—	3.50
General March 16	239.9	255.2	—	1.93
International March 16	151.1	160.8	—	0.67
Global Inc Fd March 16	49.6	52.8	—	5.15

Mercap Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Mercap	167.9	177.6	-1.1	4.13

Mercury Fund Managers Ltd
33 King William St, EC4R 9AS 01-280 2860

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Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	307.0	327.3	+0.8	0.97
Income	232.1	247.2	-2.2	3.71
Worldwide Recovery	168.7	180.1	+0.3	1.61
American Growth	77.6	82.7	+0.5	0.88
Intl. Emerging Cos.	91.3	97.5	+0.8	0.71
Far East Growth Fd.	93.9	100.3	-0.6	0.78
European Growth Fd.	62.7	67.0	-0.3	1.05

Prolific Unit Trust Managers Limited
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	59.9	63.8	+0.5	1.80
Prolific C'vert & Gilt	114.2	121.5	-0.3	4.95
Prolific Euro Gth&Inc	49.5	52.7	—	2.78
Prolific Extra Inc.	113.1	120.8	-0.4	3.67
Prolific Far East	197.2	211.0	-0.9	—
Prolific High Inc	77.6	83.0	-0.3	3.40
Prolific Intl.	142.0	151.1	+0.6	0.95
Prolific N. Amer.	138.7	148.4	+0.9	—
Prolific Spec. Sits.	93.0	99.0	+0.1	1.08
Prolific Technology	137.2	146.8	+6	—

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	86.0	92.0	-0.3	0.00
Japan Acc.	86.2	92.2	-0.3	0.00
Worldwide Inc.	77.0	81.5	+0.1	1.09
Worldwide Acc.	78.4	83.0	+0.2	1.09
European Tst Inc	92.0	97.9	+1.0	0.35
European Tst Acc.	92.6	98.6	+1.0	0.35
North American Inc.	67.7	71.7	+0.3	1.18
North American Acc	68.7	72.7	+0.3	1.18
UK Equity Inc	80.9	85.7	-0.5	1.90
UK Equity Acc.	84.5	89.5	-0.5	1.90
UK High Inc Eqty Inc	58.3	61.7	-0.2	4.93
UK High Inc Eqty Acc.	59.4	62.9	-0.2	4.93
Hong Kong Trust	45.4	48.3	+0.3	0.37
Swiss Equities Trust	45.1	47.8	+0.6	1.89

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	94.6	100.5	-1.6	0.72
PM Income and Growth	83.5	88.9	-0.9	3.57
PM N American Growth	54.9	58.4	+0.1	0.32
PM European Growth	46.6	49.5	—	0.61
PM Japan Growth	57.0	60.6	+0.1	0.46
PM Overseas Growth	52.1	55.4	+0.2	0.21

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

M & G Group
Three Quays, Tower Hill, EC3R 6BQ 01-626 4588

Amer Bond (Acc)	212.2	222.9	-0.8	—
Amer Rec Bond (Acc)	271.1	285.4	-1.2	—
Amer Smlr Co Bd (Acc)	119.0	125.0	-0.3	—
Australasian Bd (Acc)	165.4	174.1	+0.3	—
Commodity Bond (Acc)	173.0	182.2	+0.1	—
Deposit Bond (Acc)	221.6	233.3	-1.5	—
Equity Bond (Acc)	641.1	673.2	-0.6	—
Equity Bond Bonus	270.9	284.6	+0.3	—
European Bond (Acc)	178.4	187.5	+0.5	—
Extra Yld Bd (Acc)	358.7	376.7	-1.5	—
Far Eastern Bond (Acc)	144.4	151.8	+2.0	—
Gilt Bond (Acc)	264.4	277.6	-0.8	—
Gold Bond (Acc)	129.2	135.8	-0.5	5.32
High Yield Bond (Acc)	241.3	253.5	+0.1	—
Index-Linked GiltBd(Acc)	125.8	132.1	-1.7	—
Internl Bond (Acc)	389.5	409.1	-1.0	—
Internl Inc Bond (Acc)	127.0	133.4	-2.1	—
Japan Bond (Acc)	204.4	214.7	-1.0	—
Japan Smaller Co (Acc)	146.1	153.4		—
Managed Bond (Acc)	473.1	496.8	+0.1	—
Property Bond (Acc)	285.5	299.9	-1.4	—
Recovery Bond (Acc)	338.6	355.4		—

Pension Funds

American (Cap)	327.8	344.9		—
American (Acc)	454.6	477.4	-0.1	—
Building Soc (Cap)	93.5	98.2	-0.2	—
Building Soc (Acc)	129.6	136.2	-0.3	—
Deposit (Cap)	153.6	161.4	+0.1	—
Deposit (Acc)	213.0	223.8	+0.1	—
European (Cap)	135.5	142.4	+0.3	—
European (Acc)	188.0	197.5	+0.4	—
Equity (Cap)	389.8	409.4	+1.3	—
Equity (Acc)	540.2	567.2	+1.6	—
Gilt (Cap)	248.2	260.7	+9.0	—
Gilt (Acc)	344.3	361.5	+4.1	—
Gold (Cap)	90.5	95.2	+0.2	—
Gold (Acc)	125.6	132.0	+0.2	—
Index-Linked (Cap)	95.8	100.7	+0.1	—
Index-Lnkd Gilt (Acc)	132.9	139.6	+0.2	—
International (Cap)	106.4	111.8	-1.0	—
International (Acc)	147.6	155.0	-1.4	—
Intnl Inc (Cap)	104.7	110.0	-0.7	—
Intl Inc (Acc)	145.2	152.6	-0.9	—
Japan (Cap)	127.7	134.2	-0.7	—
Japan (Acc)	177.1	186.1	-0.9	—
Managed (Cap)	300.4	315.5	+0.9	—
Managed (Acc)	416.7	437.6	+1.3	—
PPP Fund (Cap)	289.4	304.0	-0.2	—
PPP Fund (Acc)	401.4	421.6	-0.3	—
Pacific (Cap)	244.4	256.8	-1.7	—
Pacific (Acc)	339.0	356.1	-2.4	—
Property (Cap)	132.4	139.1		—
Property (Acc)	183.6	192.9		—
Recovery (Cap)	184.2	193.5	-0.7	—
Recovery (Acc)	255.4	268.3	-1.1	—
UK Income (Cap)	106.0	111.4	+0.3	—
UK Income (Acc)	147.0	154.4	+0.3	—
Personal Pension (Acc)		1608.5	-1.3	—

MGM Assurance
MGM House, Heene Rd, Worthing 0903 204631

UK Equity	210.2	221.3	-0.4	—
Do. Accum	233.8	246.2	-0.5	—
Special Situations	185.4	195.2	+0.1	—
Do. Accum	206.4	217.3	+0.1	—
North American	186.2	196.0	+0.4	—
Do. Accum	207.1	218.1	+0.4	—
Pacific Basin	300.2	316.1	+0.2	—
Do. Accum	334.1	351.7	+0.1	—
Fixed Interest	213.8	225.1	+0.7	—
Do. Accum	237.9	250.5	+0.9	—
Property	116.2	122.4		—
Do. Accum	129.3	136.2		—
Deposit	112.1	118.1		—

NM Schroder Life Assurance Ltd
Enterprise House, Portsmouth 0705 827733

American	247.8	260.8	-1.7	—
Australian	157.7	166.0	-0.7	—
CCM Vanguard Mngd	392.8	413.4	(z)	—
Equity	835.1	879.0	-12.5	—
European	312.4	328.8	-5.3	—
Far Eastern Growth	126.0	132.6	+0.9	—
Fixed Interest	332.9	350.4	+3.0	—
Gold	102.5	107.8	-1.1	—
Income Accum	416.6	438.5	-4.1	—
International	260.6	274.3	-3.1	—
Japan Smllr Co's	211.3	222.4	-5.4	—
Managed	421.8	444.0	-4.2	—
Property	286.0	301.0	+0.1	—
Residential Property	106.8	112.4	-0.3	—
Singapore & Malaysian	135.0	142.1	-0.7	—
Smaller Companies	361.8	380.8	-4.8	—
Tokyo	353.5	372.1	(z)	—
UK Equity	357.9	376.7	-5.0	—
American Pension	272.8	287.1	+1.0	—
Australian Pension	195.2	205.4	+1.4	—
CCM Vanguard Pension	161.7	170.2	+0.7	—
Equity Pension	585.2	616.0	+0.9	—
European Pension	232.9	245.1	-1.8	—
Far Eastern Grwth Pen	139.3	146.6	+2.2	—
Fixed Interest Pension	287.5	302.6	+2.8	—
Global Mngd Pension	137.4	144.6	+0.6	—
Gold Pension	112.0	117.8		—
Income Acc Pension	213.1	224.3	+0.8	—
International Pension	169.6	178.5	+0.1	—
Japan Smllr Co's Pen	265.4	279.5	-1.7	—
Managed Pension	1197.1	1260.1	+3.0	—
Property Pensions	267.2	281.2	+0.1	—
Residentl. Prop Pen	111.7	117.5		—
Singapore & Malay. Pen.	151.9	159.8	-1.2	—
Smaller Cos Pension	174.5	183.6	+0.5	—
Special Exempt	307.4	323.5	-0.5	—
Tokyo Pension	401.4	422.5	(z)	—
UK Equity Pension	200.6	211.1	+0.4	—

Prices: Life Series 4 Acc; Pension Series C Acc March 19

National Mutual Life
5 Bow Churchyard, London EC4M 9DH 01-236 1566

Managed Fund	187.5	197.4	—	—
Managed Prospect Fund	147.7	155.5	—	—
UK Equity Fd	219.6	231.2	—	—
Fixed Interest	143.4	151.0	—	—
Pacific	179.9	189.4	—	—
North American	117.7	123.9	—	—
Pens. Managed	218.8	230.4	—	—
Pens. UK Equity	260.5	274.9	—	—
Pens. Overseas Equity	295.3	310.9	—	—
Pens. Property	116.7	122.9	—	—
Pens. Fixed Interest	156.4	164.7	—	—
Pens. Index Linked	122.9	129.4	—	—
Pens. Deposit	141.6	149.1	—	—
P.R.P. UK Equity	112.5	118.5	—	—
P.R.P. Overseas Equity	104.5	110.0	—	—
P.R.P. Fixed Interest	105.6	111.2	—	—
P.R.P. Property	96.0	101.1	—	—
P.R.P. Index Linked	110.3	116.2	—	—
P.R.P. Deposit	97.0	102.2	—	—
P.R.P. Managed	108.9	114.7	—	—
P.R.P. With Profits	97.4	102.4	—	—

National Mutual of Australasia
Serpentine Rd, Poole, Dorset 0202 680466

Fixed Interest	131.44	138.35	—	—
Guaranteed Deposit	116.96	123.11	—	—
International	165.77	174.49	—	—
Managed	142.67	150.17	—	—
Property	125.68	132.29	—	—
UK Equities	177.59	186.93	—	—
Pens Fixed Interest	123.39	129.88	—	—
Pens Gtd Deposit	117.21	123.37	—	—

Property Growth Assur Co Ltd
Leon House, Croydon CR9 1LU

Property Fund; Property Fund (A); Agricultural Fund; Agric. Fund (A); Abbey Nat. Fund; Abbey Nat. Fd. (A); Investment Fund; Investment Fund (A); Equity Fund; Equity Fund (A); Money Fund; Money Fund (A); Actuarial Fund; Gilt-Edged Fund; Gilt-Edged Fd. (A); Retire Annuity; Immed. Annty; International Fd; Bldg. Soc. Life Fd

Property Growth Pensions

All W'ther Ac. Uts; Inv. Fd. Uts; Pension Fd. Uts; Conv. Pens. Fd; Cnv. Pns. Cap. Ut.; Man. Pens. Fd; Man. Pens. Cap. Ut.; Prop. Pens. Fd; Prop. Pens. Cap. Uts; Bldg. Soc. Pen. Ut.; Bldg. Soc. Cap. Ut.; Gilts Pens. Fd; Gilts Pens. Fd. Cap.; Equity Pens. Fd; Equity Pens. Fd. Cap.; Intl. Pens. Fd; Intl. Pens. Fd. Cap.

Providence Capital Life Assc. Co Ltd
30 Uxbridge Rd, London

Equity Acc.; Fixed Interest Acc.; Intnl. Acc.; Managed Acc.; Property Acc.; Money Acc.; Special Market Acc.; Japan Acc.; North America Acc.; Pacific Acc.; Technology Acc.; Nat. Resources Acc.; Japan Growth Acc.; European Acc.; Broker Fund; Towerhill Mngd Fd Acc.; High Performance; Individual Pension Fund; Equity Acc.; Fixed Interest Acc.; Intnl. Acc.; Managed Acc.; Property Acc.; Money Acc.; Special Market Acc.; Japan Acc.; North American Acc.; Pacific Acc.; Technology Acc.; Natural Resources Acc.; Japan Growth Acc.; European Acc.; Broker Fund; Towerhill Mngd Pen Acc.; Group Pension Funds; Equity Acc.; Fixed Interest Acc.

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for June 1986: 385.8 and for January 1987: 394.5.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

NOTES

CANADIANS

32½p	20p	♦Abbot Energy Corp.	21½p	.....	—	—	—
18½	380p	♦Amer. Barrick Res.	17⅞	+⅛	—	—	—
19⅝	13¾	Bk. Montreal ‖	16½	+⅛	$2.00	—	5.8
10½	595p	Bk. Nova Scot.‖	925p	....	72c	—	3.7
20¾	17⅝	BCE ‖	20½	+¼	$2.40	—	5.6
938p	457p	♦Bow Valley‖	938p	+37	10c	—	0.5
17⅝	11¼	♦Brascan‖	17⅝	+⅛	88c	—	2.4
429p	233p	♦Breakwater Res.	404p	-11	—	—	—
11⅝	820p	Can. Imp. Bk. $2	10½	+⅛	$1.08	—	4.9
11¾	692p	Can. Pacific ‖	11½	+⅛	48c	—	2.0
42	35	Do. 4pc Deb £100	42	....	4%	—	9.5
21¼	875p	♦Echo Bay Mines	21¼	....	20c	—	0.4
636p	289p	♦Granges Explo‖	599p	.....	—	—	—
33p	10p	♦Gt Pacific Res.	12½p	....	—	—	—
14	620p	♦Gulf Canada‖	14	+⅞	52c	—	1.8
15	10½	♦Hawker Sid Can‖	13	....	96c	—	3.5
750p	100p	Henlys Group	659p	+19	—	—	—
15⅝	11	Hudson's Bay ‖	13¼	....	60c	—	2.2
33⅝	16¾	♦Imperial Oil‖	33⅝	+1¼	s$1.60	—	2.3
11⅞	731p	Inco‖	985pxd	+7	US$0.20	—	1.4
20	550p	♦Intl. Corona Res.	18⅞	-⅛	—	—	—
701p	500p	♦Inland Nat. Gas $1	617p	-11	60c	—	4.7
261p	122p	♦Muscocho Expln.	255p	-6	—	—	—
22⅞	748p	♦Ntl Business Syst.‖	926p	-4	—	—	—
13½	965p	♦Rio Algom	10⅝	....	65c	—	2.9
19⅝	13⅛	Royal Bk. Can. ‖	16½	+⅛	$2.00	—	5.8
47⅝	30¾	Seagram‖	47⅝	+1	US$1.00	—	1.4
14⅞	10½	Toronto-Dom. Bk.‖	14¼	+⅛	84c	—	2.8
10	753p	♦Trans Can P'pe	10	+¼	$1.12	—	5.4
223p	125p	Varity Corp‖	145p	-4	8	—	—

BANKS, HP & LEASING

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	185	ANZ SA1	219	-1	Q31c	2.4	6.0	♦

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Cont.

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LEISURE

MTRS. AIRCRAFT T

NEWSPAPERS, PUB

PAPER, PRINTI ADVERTISIN

هكذا من الأصل

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
232	180	Abelsoot Group 10p	222	.....	3.2	—	2.0	—
50	10	Aberdeen Am Pet 10p	34	.....	—	—	—	—
120	112	Allied Ins. Brokers	112	.....	13.5	2.5	4.4	13.0
54	36	Catalyst Comm. 5p	47	.....	—	—	—	31.3
68	24	Corton Beach 10p	63	-1	—	—	—	74.1
128	121	Edenspring Investment	128	.....	—	—	—	—
63	30	Eglinton Oil Ir.5p	35	-4	—	—	—	—
41	8	Do. Warrants	19	-3	—	—	—	—
25	17	Publishing Hldgs.5p	24	.....	—	—	—	13.9
55	46	Theme Holdings	50	-1	—	—	—	25.4
133	115	Unit Group	115	.....	14.6	2.5	5.6	8.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ◻ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -	Stock	Price	+ or -
Albany Inv 20p	74	-2	Fin. 13% 97/02	£105¼	+¼
Craig & Rose £1	£15½	.....	Arnotts	340	.....
Finlay Pkg. 5p	68	-1	CPI Hldgs	78	-15
Holt (Jos) 25p	895	.....	Carroll Inds.	133	+2
IoM Stm. £1	88	.....	Dublin Gas	21	.....
			Hall (R. & H.)	108	.....
IRISH			Helton Hldgs.	32	.....
Fund 11¾% 1988	£98	.....	Irish Ropes	180	.....
Nat. 9¾% 84/89	£93¼	.....	Unidare	300	-5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp.	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds.	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

BP shares fall in weak equity sector but Gilts hold steady in active session

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar 9	Mar 19	Mar 20	Mar 30
Mar 23	Apr 2	Apr 3	Apr 13
Apr 6	Apr 23	Apr 24	May 5

* New time dealings may take place from 9.00 am two business days earlier.

The UK securities markets continued to consolidate their response to the Budget proposals yesterday, undisturbed by the Government's plans to sell its £4.8bn stake in British Petroleum this year.

In the Government bond market, long term yields remained solidly below 9 per cent, with prices a shade off although foreign buyers hovered in the background.

BP shares gave ground but a wider downturn in equities reflected the generally cool reception for the Budget proposals.

The equity market was easier throughout the session, and the FT-SE 100 Index ended a net 15.6 lower at 1991.0. At 1581.6, the FT ordinary index shed 7.9.

The session opened uncertainly with equities sharply down and bonds easier as the City digested the news on BP, which came after market hours in both London and New York.

But initial weakness in gilt futures was soon counterbalanced in the cash Treasuries market, where the implications of the BP move are "neutral" for bonds, commented Mr Tim Congdon of L. Messel, government bond subsidiary of Shearson Lehman Bros. The planned BP sales does not change the expected totals for this year's Government asset disposals, and is not in itself "indigestible," he added.

Traders commented that the gilt-edged market had been looking for an excuse for a pause following its strong gain over the Budget period. But foreign buyers continued to show interest, and prices steadied whenever profit-takers tried to move into the market. There was little response to the latest UK money supply and employment statistics.

Helping sentiment was the news of a fall in the UK unemployment totals for last month, and prices moved narrowly in a good two-way session.

Oil stocks had an active day. BP remained weaker throughout, although the City sees few problems in selling the Government stake when it comes to market. Poor results from Britoil brought a small fall in the shares at first but the dividend cut was less than expected.

Also hurting major indices was a fall-out in pharmaceutical issues—the exception being Beecham which is presenting itself in New York this week. Glaxo took a further dip as the investment spotlight shifted away from the shares.

Among the consumer issues, GUS "A" shares suffered a further setback as the pre-Budget speculators moved out. But there were buyers of Cadbury-Schweppes after press comment revived market queries over the outlook for the General Cinema investment stake.

The major clearing banks continued to drift lower. Barclays losing 5 to 507p and Lloyds 5 to 482p. Midland were 4 cheaper at 625p, while NatWest softened a couple of pence to 599p. Among Merchant banks, Hill Samuel gave up 7 to 443p.

Insurances showed Legal and General 12 lower at 299p following the annual results and Refuge 14 down at 473p in the wake of the preliminary figures. Prudential, a firm market on Wednesday reflecting possible benefits from the Budget, eased 6 to 913p. In a dull Composite sector, Royals dipped 16 to 968p and Commercial Union gave up 8 to 314p.

Market newcomer Perpetual staged a successful debut, the shares closing at 191p compared with the placing price of 180p.

A dull Brewery sector displayed one good feature in Morland. Fresh buying of the stock was aroused by a broker's view of expansion prospects and of a possible property revaluation, which could reveal assets of 700p per share. Morland closed 30 higher at 548p while leading issues such as Bass ended 11 lower at 924p. Allied-Lyons, 390, Whitbread "A," 328p, and Wolverhampton and Dudley, 314p, were around 4 or so down, while profit-taking brought recently-firm Invergordon Distillers back 5 to 176p. H. P. Bulmer remained under selling pressure and fell 7 to 177p.

Leading Buildings gave a lacklustre performance, sentiment clouded by a disappointing set of interim figures from Barratt Developments; half-year profits well below market estimates saw Barratt retreat 13½ to 184p, while fellow housebuilders George Wimpey dipped 9½ to 231½p in sympathy; the latter's annual results are due soon. Tarmac, firm on Wednesday following the acquisition of F. J. C. Lilley's quarrying companies, came back 6 to 534p, but Marley found support at 153p, up 3. McLaughlin and Harvey put on 17 to 165p following the results, while Helical Bar gained 30 to 620p in response to Press comment. Persimmon revived with a gain of 12½ to 411p, but Ward Holdings encountered profit-taking and slipped 13 to 535p.

Wardle Storeys featured the Chemical sector, rising 30 to 486p in a market short of stock. James Halstead, interim results due shortly, added 4 to 235p. ICI were a shade dearer at £12¾.

Leading retailers followed the general trend and most sustained losses but secondary stocks resisted the tendency to move lower. Dixons lost 7 to 378p and Marks and Spencer came back 4 to 224p while Storehouse slipped 5 to 303p. Woolworth ended 12 off at 809p following termination of the bid discussions with Underwoods, down 34 at 216p. Increased annual profits lifted House of Lerose 7 to 196p, Church 5 to 440p and S. R. Gent to 78p. Other firm spots included Alexon, 9 dearer at 264p, G. Oliver "A," 15 higher at 380p, and Mrs Field, 11½ up at 213p. Smaller-priced Amber Day put on 3½ to 27½p. Elsewhere, after-the-event profit-taking saw Superdrug tumble 25 to 490p; the full-year profits were much in line with expectations.

Electricals passed a rather uninspiring session. Leading issues closed with small movement either way. Elsewhere, takeover hopes left Comcap 20 to the good at 460p, while revived demand left Borland 11 to the good at 156p. Among smaller priced issues, Cifer were noteworthy for a rise of 3 at 42p, while Process Systems rallied a few pence more to 36p on recovery hopes.

Crown House dipped to 215p before closing 10 cheaper at 235p on the announcement that the company had received an approach from Coloroll which may lead to an offer for its tableware division; recent bying of Crown House had hinged on hopes of a full takeover bid from Coloroll which has a 4.7 per cent stake in Crown. Westland came under selling pressure at 96p, down 9, following news that the Ministry of Defence wants to order the EH 101 helicopter rather than the Black Hawk model which Westland is assembling. Renewed buying interest left Hobson 7 to the good at 74p, but W. A. Tyzack met with profit taking and gave up 5 to 106p. Glynwed continued to edge higher at 414p, but Jones and Shipman eased a few pence to 136p on the preliminary figures.

Foods were irregular. Cadbury Schweppes responded to Press comment with a gain of 6 at 248p, but recently firm Tate and Lyle dipped 19 to 750p following end-Account profit-taking. United Biscuits eased 3 to 275p on second thoughts about the annual results, while Unigate slipped 5 to 378p. Retailers showed Tesco 4 cheaper at 480p.

Ladbroke, a firm market following the Chancellor's decision to abolish on-course betting tax, encountered profit-taking and closed 3 off at 445p. Elsewhere in the Hotel sector, Mount Charlotte continued firmly and added a penny more to 124½p.

Another subdued trading session left leading miscellaneous industrials at lower levels. Glaxo ran into U.S. selling and dipped $\frac{3}{16}$ to £15$\frac{1}{16}$, while Beecham gave up 2 further to 549p. Falls of around 3 were marked against Hanson Trust, 164p, and BTR, 328p. Elsewhere in the sector, Wellcome encountered offerings amid fears of competition for its anti-AIDS drug from Bristol-Myers and fell away sharply before recovering to close only 2 off at 458p. In contrast, Consultants Computer responded to the good preliminary figures and acquisition news with a gain of 36 at 242p. Williams Holdings advanced 10 to 738p on the better-than-expected annual results, while Norcros, in which Williams Holdings recently purchased a 2.2 per cent stake, rose 10 to 389p. London and Northern closed 4½ dearer at 84½p following the share exchange offer from Evered which came hard on the heels of the announcement that L and N had agreed to recommend new demerger proposals to shareholders. Evered fell 17 to 223p. Further demand ahead of next Tuesday's preliminary figures left Abbeycrest up 15 more at 210p. Disappointing interim figures, however, prompted a fall of 2½ to 22½ in Spong. Profit-taking clipped 35 from Hunter at 645p, but further consideration of the annual results caused a gain of 10 to 179p in Norank Systems. Rexmore eased a penny to 58p on the proposal to raise £2.1m net via an offer to shareholders and conditional placing of some 4.4m shares at 51p per share.

An excellent set of interim results from LWT gave a fresh boost to the television sector. LWT responded to the sharply increased half-year profits with a rise of 85 at 786p. Thames rose 10 to 460p and Scottish 22 to 509p in sympathy.

Pleasurama firmed 8 to 376p following annual profits in line with recently revised estimates. International Leisure continued to respond to Press comment and gained 5 more to 154p, while Brent Walker put on 24 to 395p on expansion hopes.

Lucas Industries' good advance was halted by profit-taking and the shares lost 5 to 595p, but despite currency influences, Jaguar attempted a rally and ended slightly harder at 563p. Lex Service retained a strong profile at 382p, up 3, while H. & J. Quick found renewed support and closed 5 dearer at 173p.

A circular from L. Messel, the Shearson Lehman Bros. offshoot, stimulated good interest in William Collins issues. Analyst Tony Willis suggests that the group has moved from a recovery situation to a true growth stock and still represents value despite the recent sharp rise. The Ordinary shares bounded 25 higher to close at 595p while the "A" rose 30 to 550p. Higher annual profits sustained Octopus Publishing, at 688p, after 700p, while BPP picked up 5 at 275p. BPCC led Printing issues down, closing a further 9 lower at 331p while DRG gave up 5 at 418p; the latter group proposes a £40m eurobond issue and will make a series of presentations to European institutional investors next week. Watmoughs replied further to the preliminary statement, rising 10 more to 375p while Jefferson Smurfit rose 11 to 461p and Clarke Hooper 6 to 181p.

Bid developments were responsible for the major movements in the Property sector. Centrovincial Estates jumped 37 to 315p following the recommended offer from Gilbert House; the latter dipped 17 to 98p. An agreed offer from Local London saw Standard Securities rise 13 to 253p; Local London fell 60 to 576p. Elsewhere, Great Portland Estates firmed 15½ to 244½p following acquisition news. Grainger Trust were 15 higher at 325p and Estates and Agency 30 up at 180p in restricted markets.

Shippings were devoid of noteworthy movements with the exception of Walter Runciman. After a period of prolonged inactivity, the shares responded to demand in a tight market by rising 16 to 201p.

Courtaulds resisted both the effects of a strong exchange rate and the general market malaise, finding support which nudged the price higher to 410p. Parkland "A" were again bought and rose 8 to 155p while A. Beckman hardened 2 to 114p following the acquisition of a London office building for £1.85m. On an adverse note, John Haggas reacted 8 to 180p and Leeds gave up 5 at 274p.

Rothsmay International continued to shine, gaining 9 more to 256p but BAT Industries eased 4 further to 515p.

British Empire Securities improved to 42p on the announcement that the Merchant Navy Officers Pension Fund had increased its share stake in the company to 23.15 per cent. MAI, still reflecting this week's first-half statement, pushed 8 higher to 541p, but profit-taking lowered Parambe 3 to 90p and Autherity Investment 15 to 425p.

The overnight announcement that the Government intends to sell its remaining 32 per cent stake in BP cast a shadow over the oil sector and prices generally traded lower despite another steady performance by crude prices. BP dipped 12 to 816p while Shell settled $\frac{1}{16}$ off at £12$\frac{7}{16}$. Britoil put on 6 to 228p following the slightly-better-than expected preliminary results, but Enterprise eased back in front of today's annual figures to close 5 lower at 257p.

Polly Peck's recent run ended as short-term holders began to take profits and the clos was 5 lower at 238p. Inchcape also moved easier at 578p but Lonrho held at 270p awaiting reports of the annual meeting.

Gold shares were strong again, backed up by demand from New York and London. Dealers ascribed the upturn solely to the improvement in the Rand, and discounted favourable press comment in the London press.

At the close, the FT gold mines index showed a gain of 6.1 to 350.4, and most of the leaders stood out well. Share prices ended at the day's best, although bullion prices topped off in London.

Buyers returned for De Beers as the speculative positions taken ahead of the trading results were shaken out and genuine investment buyers returned.

Australian mining stocks, too, had a good session. Brokne Hill were again wanted on the back of a good demand in Australia, and most of the other major issues also turned in a firm performance. However, business was relatively unexciting in London.

Traded options

Interest in Traded options was largely confined to two stocks. British Gas continued to feature and recorded 3,082 calls and 3,177 puts. Shell were also active and registered 4,711 calls and 1,015 puts, 2,067 calls were arranged in Cadbury Schweppes and 4,104 in Hanson Trust. The total number of contracts was 48,697—35,492 calls and 13,205 puts.

Traditional Options

- First dealings March 16
- Last dealings March 27
- Last declaration June 25
- For Settlement July 6

For rate indications see end of Unit Trust Service

Stocks dealt in for the call included Amstrad, Powerline, Property Trust, Thoms Borthwick, Ryan International, Comtech, Leigh Interests, Alexander Holdings, Spong, Times Veneer, London Securities, Talbex, Eglinton, Jaguar, BETEC, Armour Trust, Morgan Grenfell, Rotaprint, Stakis, Deutche Bank, Blacks Leisure, Barham, North Kalguli, Relyon, Gabicci, Quest Automation, Buckley's Brewery, Metal Closures, Johnson and Firth Brown and Platignum. Puts were arranged in Jebsen Drilling, TSL and Britoil, while double options were transacted in Martin Ford and Crown House.

FINANCIAL TIMES STOCK INDICES

	Mar. 19	Mar. 18	Mar. 17	Mar. 16	Mar. 13	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	91.90	91.83	90.89	90.07	89.87	91.09	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.98	97.60	96.42	96.11	95.29	94.30	97.98 (19/3/87)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,581.6	1,589.5	1,586.9	1,576.6	1,583.9	1,415.1	1,613.5 (3/3/87)	1,094.3 (14/1/86)	1,613.5 (3/3/87)	49.4 (26/6/40)
Gold Mines	350.4	344.3	341.4	338.3	340.1	310.8	350.4 (19/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.71	3.68	3.68	3.70	3.69	3.83				
Earnings Yld.%(full)	8.59	8.54	8.53	8.59	8.56	9.13				
P/E Ratio (net) (*)	14.27	14.36	14.37	14.28	14.32	13.60				
SEAQ Bargains (5 pm)	51,952	52,571	39,866	49,571	48,407	—				
Equity Turnover (£m)	—	1,743.05	1,251.26	977.6041	1,342.341	985.27				
Equity Bargains	—	59,410	53,698	56,290	57,276	41,104				
Shares Traded (ml)	—	—	486.9	424.9	—	411.3				

S.E. ACTIVITY

Indices	Mar. 18	Mar. 17
Gilt Edged Bargains	249.4	181.4
Equity Bargains	384.9	347.9
Equity Value	3,523.2	2,529.1
5-Day Average		
Gilt Edged Bargains	193.4	181.4
Equity Bargains	368.7	365.2
Equity Value	5,252.0	2,612.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1577.2	1578.0	1583.2	1584.9	1585.4	1585.4	1577.2	1577.8

Day's High 1588.2. Day's Low 1565.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.74.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (165)

BRITISH FUNDS (6), INT. BANK & O'SEAS GOVT. STLG. ISSUES (1), LOANS (4), FOREIGN BONDS (1), CANADIANS (4), BANKS (3), BREWERS (1), BUILDINGS (9), CHEMICALS (5), STORES (6), ELECTRICALS (10), ENGINEERING (7), FOODS (5), HOTELS (4), INDUSTRIALS (24), LEISURE (11), MOTORS (3), NEWSPAPERS (4), PAPER (5), PROPERTY (9), SHIPPING (1), SHOES (2), SOUTH AFRICANS (3), TEXTILES (1), TOBACCOS (1), TRUSTS (14), OILS (6), MINES (14).

NEW LOWS (4)

AMERICANS (1) Manuf. Hanover, BANKS (1) Deutsche Bank, INSURANCE (1) Allianz AG, OVERSEAS TRADERS (1) GN Great Nordic.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change
Ladbroke	3,000	445	−8
Land Securities	1,700	378	−1
Legal & Gen.	4,000	299	−12
Lloyds Bank	621	482	−5
Lonrho	1,100	270	—
[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday March 19 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed March 18 Index No.	Tues March 17 Index No.	Mon March 16 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (208)	857.61	−0.5	7.44	3.08	17.01	2.16	861.95	859.35	855.09	719.78
2	Building Materials (27)	1049.23	−0.3	7.45	3.12	16.86	0.72	1052.73	1046.51	1036.35	817.46
3	Contracting, Construction (29)	1466.01	−1.5	6.93	3.22	19.80	2.68	1489.04	1485.32	1483.65	1148.73
4	Electricals (12)	2090.95	−0.8	7.21	3.76	17.81	1.39	2108.01	2115.26	2102.29	1950.84
5	Electronics (38)	1947.09	−0.3	7.64	2.30	17.30	10.41	1953.82	1924.10	1922.42	1633.14
6	Mechanical Engineering (60)	479.15	−0.5	8.33	3.51	15.32	1.04	481.44	480.50	479.52	409.38
8	Metals and Metal Forming (7)	455.55	−0.2	7.95	3.37	15.27	0.00	456.66	454.33	448.41	327.61
9	Motors (15)	325.84	−0.2	8.47	3.33	13.62	0.88	326.35	325.54	324.84	293.82
10	Other Industrial Materials (20)	1454.63	−0.5	6.12	3.43	19.52	2.64	1462.35	1485.38	1481.67	1313.84
21	CONSUMER GROUP (187)	1172.55	−0.9	6.25	2.73	20.60	2.51	1182.63	1190.58	1179.46	932.25
22	Brewers and Distillers (22)	1079.60	−0.7	7.91	3.21	15.89	3.55	1087.64	1100.55	1088.05	951.81
25	Food Manufacturing (25)	876.03	−0.5	7.65	3.32	17.18	2.21	888.07	879.36	876.04	670.15
26	Food Retailing (16)	2167.16	−0.3	5.82	2.56	23.85	9.65	2174.31	2162.77	2142.22	1983.79
27	Health and Household Products (10)	2334.26	−1.2	4.07	1.64	28.49	8.28	2361.92	2406.01	2370.44	1555.16
29	Leisure (32)	1223.72	+0.7	6.14	3.43	21.48	8.26	1215.30	1202.98	1195.58	946.40
31	Packaging & Paper (14)	587.14	−1.3	6.01	2.89	21.61	0.56	594.88	604.92	599.42	459.97
32	Publishing & Printing (14)	3564.80	−2.0	5.69	3.23	22.58	3.41	3635.98	3663.03	3662.87	2324.86
34	Stores (37)	991.97	−1.6	6.54	2.74	20.79	1.25	1007.62	1015.45	1006.32	906.13
35	Textiles (17)	684.31	+0.3	7.63	2.97	15.09	0.17	681.98	683.53	677.64	550.70
40	OTHER GROUPS (87)	968.23	−0.4	8.14	3.49	15.23	3.78	972.22	971.51	968.34	835.40
41	Agencies (17)	1385.75	−0.9	4.48	1.79	30.21	3.33	1398.73	1404.36	1410.65	0.0
42	Chemicals (21)	1198.23	+0.6	8.22	3.67	14.86	15.74	1191.50	1217.80	1223.86	916.36
43	Conglomerates (12)	1267.69	−1.2	6.91	3.47	17.13	2.00	1283.10	1294.36	1289.85	0.0
45	Shipping and Transport (11)	1952.13	−0.5	6.87	4.12	17.62	0.00	1961.92	1968.18	1971.05	1645.04
47	Telephone Networks (2)	991.26	−0.5	9.43	3.89	14.45	1.09	996.00	970.37	961.53	1003.85
48	Miscellaneous (24)	1322.72	−0.4	9.18	3.18	12.28	3.23	1328.38	1329.84	1318.56	1024.79
49	INDUSTRIAL GROUP (482)	1047.79	−0.6	7.06	3.02	17.95	2.84	1054.61	1057.02	1050.10	862.23
51	Oil & Gas (18)	1790.72	−0.7	9.47	4.98	13.35	19.18	1804.20	1784.65	1757.10	1181.94
59	500 SHARE INDEX (500)	1110.46	−0.7	7.40	3.30	17.11	4.27	1117.84	1118.31	1109.60	891.30
61	FINANCIAL GROUP (117)	682.27	−0.6	—	4.28	—	5.01	686.45	685.43	683.79	614.71
62	Banks (8)	727.18	−0.7	18.19	5.26	7.55	12.84	732.21	729.37	726.45	689.43
65	Insurance (Life) (9)	981.11	−1.4	—	4.08	—	0.00	994.82	979.73	969.54	870.44
66	Insurance (Composite) (7)	531.81	−1.7	—	4.47	—	2.02	541.18	543.08	542.79	490.11
67	Insurance (Brokers) (9)	1156.29	−0.8	8.56	4.58	15.24	13.35	1165.96	1187.21	1177.94	1225.76
68	Merchant Banks (11)	370.49	+1.5	—	3.36	—	0.02	365.18	367.85	366.90	349.33
69	Property (47)	903.21	+0.2	5.32	3.27	24.49	0.96	901.59	905.17	910.97	742.55
70	Other Financial (26)	455.13	+0.1	7.18	3.36	17.80	1.86	454.59	451.45	451.03	350.83
71	Investment Trusts (96)	975.70	−0.4	—	2.41	—	4.06	979.76	976.75	972.24	745.84
81	Mining Finance (2)	380.44	−0.3	8.05	4.32	14.60	1.89	381.43	383.41	384.50	311.99
91	Overseas Traders (12)	901.15	−0.4	9.03	4.97	13.42	10.04	904.45	905.64	902.45	677.04
99	ALL-SHARE INDEX (727)	994.65	−0.6	—	3.43	—	4.42	1001.02	1001.08	994.35	810.48

	Index No.	Day's Change	Day's High	Day's Low	March 18	March 17	March 16	March 13	March 12	Year ago
FT-SE 100 SHARE INDEX ♦	1991.0	−15.6	2000.6	1985.8	2006.6	2006.3	1991.1	2000.8	1989.7	1668.8

FIXED INTEREST

	PRICE INDICES	Thurs March 19	Day's change %	Wed March 18	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.45	+0.07	125.21	0.85	2.77
2	5-15 years	146.30	+0.11	146.15	—	2.69
3	Over 15 years	155.12	+0.02	155.46	0.36	3.45
4	Irredeemables	172.14	+0.17	171.84	—	1.62
5	All stocks	141.64	+0.08	141.87	0.35	2.85
	Index-Linked					
6	5 years	119.40	−0.03	119.43	—	0.83
7	Over 5 years	122.12	−0.16	122.31	—	0.88
8	All stocks	121.69	−0.14	121.86	—	0.86
9	Debentures & Loans	126.94	+0.11	126.81	—	1.57
10	Preference	87.18	—	87.19	—	0.68

	AVERAGE GROSS REDEMPTION YIELDS		Thurs March 19	Wed March 18	Year ago (approx.)
	British Government				
1	Low	5 years	8.00	8.02	8.36
2	Coupons	15 years	8.72	8.72	8.59
3		25 years	8.72	8.73	8.59
4	Medium	5 years	8.68	8.85	9.36
5	Coupons	15 years	8.92	8.85	8.98
6		25 years	8.94	8.85	8.92
7	High	5 years	8.83	8.85	9.33
8	Coupons	15 years	9.05	9.06	9.14
9		25 years	8.91	8.91	9.08
10	Irredeemables †		8.75	8.76	8.64
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.52	2.49	4.33
12	Inflat'n rate 5%	Over 5 yrs	3.33	3.32	3.81
13	Inflat'n rate 10%	5 yrs	0.95	0.92	3.24
14	Inflat'n rate 10%	Over 5 yrs	3.19	3.18	3.65
15	Debs &	5 years	9.55	9.57	10.20
16	Loans	15 years	9.85	9.86	10.08
17		25 years	9.89	9.91	9.96
18	Preference †		10.78	10.78	11.45

♦Opening index 1989.1; 10 am 1989.9; 11 am 1996.3; Noon 1996.8; 1 pm 1997.7; 2 pm 1997.6; 3 pm 1985.8; 3.30 pm 1987.4; 4 pm 1987.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	33	[illegible]
Corporations, Dominion and Foreign Bonds	27	[illegible]	[illegible]
Industrials	332	647	[illegible]
Financial and Properties	98	224	[illegible]
Oils	31	[illegible]	[illegible]
Plantations	1	5	[illegible]
Mines	69	31	80
Others	71	56	72
Totals	686	1,035	1,071

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

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WORLD STOCK MARKETS

CANADA

TORONTO
Prices at 2.30pm March 19

Sales	Stock	High	Low	Close	Chng
163355	Lacana	$14 5/8	14	14 1/8	-1/4
20435	Laidlaw A	$27 1/2	26 1/4	27 1/2	+1 1/4
94432	Laidlw B f	$26	25 1/4	26	+7/8
17510	Leigh Inst	$5 1/2	5 1/4	5 3/8	
4222	Loblaw Co	$14 7/8	14 5/8	14 7/8	+1/4
9040	Lumonics	$9	8 5/8	8 7/8	-3/8
2700	MICC	$13	12 3/4	13	
100	MSR Ex	225	225	225	+10
23897	Mclan H X	$22 5/8	22 1/4	22 1/2	
50149	Mcln HY f	$20 1/2	19 7/8	20 1/4	+3/8
25278	Macmilan	$83	82 1/4	82 1/4	-1/2
20850	Magna A f	$30	29 1/2	29 5/8	+1/4
2950	Maritime f	$16 1/2	16 3/8	16 1/2	+1/8
900	Mc Intyre	$44	44	44	
6700	Minnl Res	300	295	295	
117400	Mitel Corp	$8	7 3/4	7 7/8	-1/8
42503	Molson A f	$25 5/8	25 1/2	25 5/8	
1852	Monsco A f	410	390	390	-10
9350	M Trusco	$16	15 7/8	15 7/8	-1/8
287229	Moore	$32 3/8	31 3/4	32 1/2	+7/8
600	Murphy	$25 1/4	25 1/4	25 1/4	-1/4
21989	Nat Bk Can	$17 3/8	17 1/8	17 3/8	+1/8
11904	Nt Vg Trco	$26 1/2	26 3/8	26 3/8	-1/8
500	Nfl CapA f	$11	11	11	
4320	Nfld LP A	$20 1/2	20 1/4	20 1/2	+3/8
155437	Noranda	$31 1/4	30 3/4	30 3/4	-3/8
17484	Norcen	$23 7/8	23 5/8	23 3/4	-1/4
16016	Norcn ord f	$21 3/4	21 1/4	21 1/4	-1/4
4550	NC Oils	$15	14 3/4	14 7/8	
30182	Nor Tel	$57 7/8	57 1/4	57 1/2	-1/4
10200	Northgat	$8 3/8	8 1/8	8 1/8	-1/8
825357	Nva AltA f	$9 1/8	9	9	
3327	Nu West	38	37	38	+1
31900	Numac	$11 1/4	10 7/8	11	-3/8
3900	Oakwood	330	305	330	+30
1700	Oakwd A f	165	160	165	+5
41614	Ocelot B f	$5 3/8	5 1/2	5 1/2	
6800	Omega Hyd	$6 5/8	6 1/2	6 1/2	-1/8
6480	Roman	$19	19	19	
600	Rothman	$66	66	66	-1
184813	Royal Bnk	$35 3/8	34 7/8	35 1/4	+3/8
20558	RyTrco A	$34 5/8	34 3/8	34 1/2	-1/8
72365	Royex	$5	485	490	-10
2040	SHL Syst	$28 5/8	28 1/8	28 5/8	+1/2
3000	StL CemA f	$24 3/8	24 1/4	24 1/4	-1/8
68835	Sceptre	400	395	400	
1022	Scot Paper	$19	18 3/4	18 3/4	-1/4

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices March 18

Sales	Stock	High	Low	Close	Chng
115720	Bank Mont	$35 1/8	34 1/4	34 7/8	+3/4
16333	BombrdrA	$25 3/4	24 3/4	25 1/4	+1/2
273820	BombrdrB	$25 7/8	24 7/8	25 1/8	+3/8
6750	CB Pak	$23 1/2	23	23 1/2	+3/4
60324	Cascades	$14 1/4	13 7/8	14	-1/8
149673	ConBath	$23	22 1/2	22 1/2	+1/4
2070	DomTxtA	$18 7/8	18 7/8	18 7/8	
199525	MnlTrst	$16 1/8	15 3/4	15 7/8	+1/8
69210	NatBk Cda	$17 1/8	16 3/4	17	+1/4
19638	Noverco	$13 3/4	13 1/2	13 5/8	-1/8
160585	Power Corp	$20	19 1/2	19 3/4	+1/4
9765	Provigo	$21 1/2	21	21 1/8	-1/2
1400	RollandA	$18 1/4	18	18	-1/2
75140	Royal Bank	$35 1/8	34 1/4	34 5/8	+5/8
5110	SteinbrgA	$42 7/8	42	42 1/4	-1/2

Total Sales 11,881,310 shares

Indices

	Mar. 19	Mar. 18	Mar. 17	Mar. 16	1986/87 High	1986/87 Low
AUSTRALIA All Ord. (1/1/80)	1846.6	1839.2	1829.4	1828.2	1846.6(19/3/87)	1019.8 (2/1/86)
Metals & Mnls. (1/1/80)	816.8	811.3	805.7	808.4	816.8(19/3/87)	481.1 (20/1/86)

* Indicates pre-close figure

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Phillips Pet.	4,405,600	15 3/4	+ 1/4	Schlumberger	2,584,800	40	+ 1/4
USX	4,140,300	27 7/8	+1 1/8	Bristol Myers	2,547,500	107	+4 3/4
Amer. Express	2,990,900	78 3/4	+1	Oak Industs.	1,910,100	1 3/8	+ 1/8
Salomon	2,843,000	41 3/4	+1 1/2	AT&T	1,903,800	23 1/2	-1 1/2
Occidental Pet.	1,703,700	33 3/4	+1 1/8	IBM	1,887,000	146 3/4	- 7/8

** Saturday March 14: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrials—264.3, and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 49

Avesta rises sharply after restructuring

BY SARA WEBB IN STOCKHOLM

AVESTA, the Swedish stainless steel manufacturer, quadrupled its profits in 1986 chiefly as a result of restructuring measures.

Profits after financial items reached SKr 240m ($37.5m) compared with SKr 60m in 1985, and the company is forecasting profits of SKr 300m in 1987.

Sales fell 5 per cent to SKr 5.2bn in 1986, compared with SKr 5.56bn the previous year, and this was largely due to the fall in prices for raw materials such as nickel which led to increased price competition in the stainless steel market.

Stainless steel prices fell by between 5 per cent and 7 per cent in the Swedish market and by about 20 per cent in terms of the D-Mark which affected Avesta's income from West Germany, its second-biggest market.

Since 1984, Avesta has sold off its saw mill and hydropower interests for a total of SKr 1bn.

This sum was to be invested over four years in plant closures and in increasing the efficiency of its steel mills. Avesta claims efficiency has been increased by up to 25 per cent.

The Avesta board is giving a dividend for the first time of SKr 0.8.

US housing starts 'poised for fall'

BY OUR FINANCIAL STAFF

HOUSING STARTS in the US are poised for a downturn, according to Mr Jeffrey Silverman, chairman of Ply-Gem Industries, which makes and distributes speciality wood and vinyl products for the home-improvement market.

Mr Silverman said in London that housing starts – a leading indicator of US economic health – were unlikely to repeat the kind of "meteoric rises" seen in the past for many years: "I don't expect housing starts to return to the 1m level again in my lifetime."

However, his company, which has just announced record profits and sales for 1986, had adopted a policy aimed at insulating it from most of the effects of any downturn in housing starts.

"I don't say we will be completely protected, but we are prepared for any dip in the figures."

Mr Silverman explained that the company concentrated largely on sales to owners of existing homes and that the eight acquisitions of home improvement-related companies made by Ply-Gem since 1982 had reinforced this policy.

Ply-Gem's income for 1986 showed a 130 per cent rise to $8.1m compared with 1985's earnings of $3.5m. Earnings per share increased to 92 cents in 1986 against 52 cents a year earlier. Turnover for the year was up 36 per cent at a record $228.4m compared with $166.5m in 1985.

In the final quarter of last year Ply-Gem acquired two companies – Variform and Great Lakes Window – in order to widen its influence in the home improvement market, Mr Silverman said.

"The timely conversion of $37m of debt into equity further strengthened the financial condition of the company."

Elsevier ahead by 21%

BY LAURA RAUN IN AMSTERDAM

ELSEVIER, the Dutch publishing company, boosted its net income by 21 per cent to Fl 123m ($59.4m) in 1986 from Fl 101m the year before on improvements in all divisions except popular book publishing.

Sales edged up 3 per cent to Fl 1.57bn from Fl 1.53bn, the company said. Elsevier also said it would carry out a five-for-one share split on May 5. An unchanged dividend of Fl 4 a share for 1986 was announced.

The company, which is based in Amsterdam, expects to lift its profits again this year. The book division is being pruned to make it more profitable.

Elsevier publishes newspapers, magazines, books and scientific journals. It is one of the largest publishers of English language scientific journals in the world and is expanding rapidly in the US.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
Abbeycrest	215	+ 15
Alexon	284	+ 9
Centrovinc	320	+ 42
Collins (Wm.)	595	+ 25
Consultants	242	+ 36
Fields (Mrs.)	213	+ 11½
Helical Bar	620	+ 30
Hse of Lerose	196	+ 7
LWT	810	+108½
McLaugh & H	165	+ 17
Morland	548	+ 30
Norcros	389	+ 10
Parkland A	154	+ 7
Rothmans	258	+ 9
Runciman (W.)	201	+ 16
Smurfit (J.)	461	+ 11
Standard Secs.	253	+ 13
Ward Storeys	482	+ 28
FALLS:		
Barratt Dev.	184	- 13½
BP	816	- 12
Crown House	235	- 10
Gilbert Hse	98	- 17
Legal & Gen	299	- 12
Lcl London	570	- 60
Superdrug	490	- 25
Tate & Lyle	752	- 17
Underwoods	216	- 34
Westland	96	- 9
Wimpey (G.)	231	- 10
Woolworth	809	- 12

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	20⅛	AAR s	.50	1.6	22	222	32	31	31	−¾
37	21⅞	ADT	.92	2.5	21	612	35¾	35⅝	35⅝	−⅛
41½	23⅜	AFG	.12e	.3	11	1616	39¾	38	38¼	−1½
40¼	16¾	AGS			22	279	37⅛	36¾	36¾	−½
15	6¾	AMCA				60	8¼	8⅛	8⅛	−⅛
9⅝	4⅞	AM Intl				838	8⅝	8⅜	8½	−⅛
62⅞	47¼	AMR			12	8333	56¼	54¼	56	+1⅛
27½	24½	ANR pf	2.67	10.		5	25⅞	25⅞	25⅞	
12⅞	8	ARX s			13	172	11	10⅝	10⅞	+⅛
49½	28¾	ASA	2a	4.0		1089	u49¾	47¼	48¾	+2⅝
17⅜	9¾	AVX		2.0		362	16⅛	15⅞	15⅞	+⅛
32¾	26½	AZP	2.72	8.5	10	1237	32	31⅝	31⅞	+¼
65⅝	38⅛	AbtLb s	1	1.6	27	5840	63¼	62¼	62⅞	+1
34	25	AccoWd	.62	2.0	20	422	32⅛	31⅜	31⅜	−½
14⅞	9	AcmeC	.40	3.1	24	115	13⅛	12¾	12¾	−⅛
9	6⅛	AcmeE	.32b	4.1	27	68	8	7¾	7⅞	−⅛
23⅞	16⅝	AdaEx	3.42e	15.		89	22⅜	22⅛	22⅛	−⅛
19½	11⅜	AdmM s	.24	1.2	15	99	19⅜	19	19¼	+½
21½	12⅛	AdvSys	.62t	2.9	16	218	21⅛	21	21⅛	+⅛
31⅞	12⅞	AMD				5112	21¾	20¾	21½	+⅝
10⅛	5¼	Adobe				1346	10	9¾	9⅞	+⅛
20½	13¾	Adob pf	1.84	9.0		17	20⅜	20⅛	20⅜	+⅜
21⅞	16⅝	Adob pf	2.40	11.		12	21⅜	21¼	21⅜	
18⅝	11½	Advest	.12a	.9	11	643	13½	13⅛	13⅛	+⅛
68¼	53	AetnLf	2.76	4.1	11	1097	67⅛	66⅝	67	+⅛
54	51⅛	AetL pf	2.81e	5.4		69	51⅞	51¾	51⅞	+⅜
101½	87¼	AetL pfC	4.76e	5.0		2	94½	94½	94½	+½
50⅝	21⅞	AfilPb s	.32	.7	26	148	49	48	48	−⅞
28¾	18⅞	Ahmns s	.88	3.4	8	2099	26¼	25¾	26⅛	
5¾	2⅞	Aileen				16	3⅞	3¾	3⅞	−⅛
48½	29⅛	AirPrd s	.80	1.7	33	1869	46	44⅝	46	+1⅝
35¼	16	AirbFrt	.60	1.8	15	276	33¾	33¼	33¼	
11⅝	7⅝	Airgas n				85	10⅝	10⅛	10⅝	+⅛
20⅝	17⅛	Airlse n	.49e	2.6		32	19⅛	18⅞	19	
17-32	¼	AlMoan				8	7-16	13-32	7-16	+1-32
26	25⅜	AlaP pf	1.82e	6.9		10	26⅜	26⅜	26⅜	−⅛

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
140½	98½	Wolw pf2.20		1.6		1	135¼	135¼	135¼	+¾
7¼	2	WrldAr				45	7⅛	7	7	
19¾	14⅝	WrldVl n				35	18	17⅞	17⅞	−⅛
54	34⅝	Wrigly s2.04		2.0	20	205	51⅞	51	51½	+¼
4	1⅝	Wurlitz				25	2⅞	2¾	2⅞	+⅛
18	11	WyleLb .32		1.8	22	204	17⅝	17¼	17⅝	−⅛
25¾	17⅛	Wynns .60		2.8	13	95	21½	21¼	21¼	
		X Y Z								
74½	46⅝	Xerox	3	4.1	19	1886	73⅛	72¼	72⅞	−¼
58¾	55	Xerox pf5.45		9.7		58	56	55¾	56	
28⅝	21½	XTRA	.64	2.5		171	25⅞	25½	25½	−½
20¾	13½	YorkIn n			23	141	20¼	20	20⅛	
6	2¼	Zapata				1053	4	3⅞	3⅞	−⅛
43⅞	20¾	Zayre s	.32	1.0	20	2047	31⅛	30⅝	30½	+⅛
14¾	9⅝	Zemex	.40	3.0	8	95	13½	13	13¼	−¼
29⅞	18⅞	ZenithE				591	24⅞	24½	24½	−⅛
18¾	8	ZenLb s				1288	11½	11¼	11½	
22	12⅝	Zero	.35	1.9	20	59	19	18⅝	18⅞	
51	32⅝	Zurnin 1.32		2.6	20	109	50¾	50	50½	+⅜
10⅝	6¾	Zweig n.10e		1.0		749	9¾	9½	9¾	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Caution prevails as scandals leave their mark

WALL STREET

CAUTION prevailed on Wall Street yesterday as traders and investors took stock of the latest developments in the securities industry scandals and prepared for today's Triple Witching Hour, *writes Roderick Oram in New York.*

Prices edged ahead on moderate trading.

Credit markets remained firmly stuck in their narrow and quiet trading range with bond prices little changed.

At the close the Dow Jones industrial average was up 12.64 at 2,299.57.

At its best the index was up nearly 10 points during the morning but investors continued to hold back from pushing the blue chips through the 2,300 level, which is seen by some analysts as a trigger point for a price correction.

Traders were relieved that a sell-off did not materialise after news that Mr Boyd Jefferies, the leading block trader, said he would plead guilty to charges of making illegal trades for Mr Ivan Boesky, the disgraced stock speculator.

Mr Jefferies' firm, Jefferies Group, fell $½ to $10⅝ in the over-the-counter market. The company has a dominant role in the third market in which large blocks of shares are traded outside established exchanges for institutional investors.

A further dampening influence yesterday was the prospect of turbulent trading today in the run-up to the simultaneous expiry at the end of the session of options and futures on stock indices and futures on individual stocks.

Another securities industry story influencing the market yesterday was the announcement that American Express, up $¼ to $78⅝ after a sharp rise on Wednesday, was close to a deal to sell a 13 per cent stake in its Shearson Lehman securities subsidiary to Nippon Life of Japan.

Other brokerage stocks were buoyed by the news. Merrill Lynch rose $2 to $44⅞ following a buy recommendation from Paine Webber which itself added $⅝ to $37⅞. E.F. Hutton, which has a representative of Sumitomo Life of Japan on its board, added $⅝ to $40⅞, Morgan Stanley jumped $2⅝ to $73 and First Boston gained $⅝ to $51⅛ although Salomon Inc., which has been the subject of speculation of a similar Japanese link, dipped $⅛ to $41½.

Oil stocks gave up their leadership role of recent days and turned lower as oil prices rose only fractionally. Exxon fell $⅝ to $85, Chevron dipped $⅛ to $58⅞, Atlantic Richfield dropped $⅝ to $77⅛, Amoco slipped $⅛ to $79⅝, Texaco gave up $½ to $35⅝ and Phillips slipped $⅛ to $15⅛.

In contrast, airline stocks recovered some of the ground they lost as oil prices rose recently. AMR added $⅝ to $55½, Allegis, parent of United Air Lines, rose $1 to $58, Delta Air Lines gained $2 to $59, NWA edged up $½ to $67¼ and Trans World put on $⅝ to $29 although Texas Air fell $⅝ to $40⅞ on the American Stock Exchange.

The technology sector was generally firm. IBM gained $⅝ to $146⅝, Unisys added $⅝ to $106, Motorola was up $1⅝ to $56, Cray Research jumped $2¼ to $124⅞ while Digital Equipment dipped $¼ to $165.

Carter Hawley Hale was unchanged at $56⅞ after reporting a fourth quarter loss after charges of $1.58 a share against profits of 58 cents a year earlier. Another stores group, Carson Pirie Scott slipped $⅝ to $38⅛ after turning in fourth quarter profits of $1.31 a share against $1.17.

Pillsbury, down $⅛ to $42⅞, recovered from an early loss of $1 following news of a third quarter profit of 58 cents a share against 63 cents.

AmeriTrust gained $1⅛ to $53¼ after splitting its stock two-for-one and raising its dividend.

ChemLawn advanced $2 to $33⅞ in the over-the-counter market. Waste Management, up $1 to $75⅝, increased its takeover offer to $33 a share.

Carter-Wallace jumped $4½ to $116. E.F. Hutton put the condom manufacturer back on its recommended list. Its shares have gyrated rapidly in recent months because of the growing use of condoms to prevent transmission of Aids.

The credit markets had no news to give them a sense of direction although the slight weakening of the dollar gave a mildly negative tone early in the session. A relatively low Fed Funds rate of 6 per cent helped improve matters later as bond prices rose fractionally.

The price of the 7.50 per cent benchmark Treasury long bond was up ⅛ of a point by early afternoon at 100¹⁄₁₆ at which it yielded 7.49 per cent. Shorter maturities made similar gains across the board.

Yesterday's economic data had little market impact because the 0.9 per cent rise in personal income and 1.7 per cent rise in personal consumption in February were broadly consistent with an economic growth rate of 2 to 3 per cent.

CANADA

AFTER briefly pausing for breath, the Toronto market held early gains, advancing on bank shares and leading active traders.

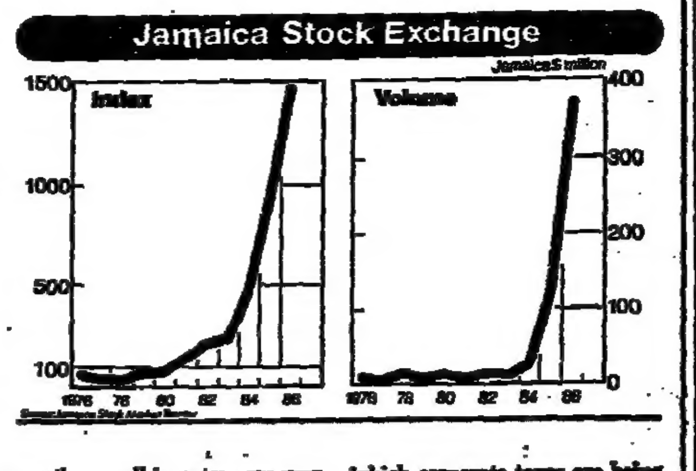
Bank of Nova Scotia gained C$⅝ to C$20⅝, and Royal Bank of Canada C$⅝ to C$35¼. Canadian Pacific firmed C$¼ to C$24⅝, and Bow Valley Industries put on C$½ to C$20¼.

Oils, which inspired the market earlier this week, turned lower, with Shell Canada down C$⅛ to C$41 and Imperial Oil class A losing C$1½ to C$68⅞. Against the trend, Texaco Canada rose C$⅝ to C$37½.

In Montreal, the market firmed with bank, mining and utility stock groups showing advances.

Canute James examines the soaring growth on a Caribbean exchange

Tiny Jamaica jumps at a hectic pace



AFTER YEARS in the shade as a plaything for a handful of brokers and big companies, the Jamaican stock exchange is experiencing a rate of bullish growth that has sent the index soaring.

Brokers say the increased activity on the exchange, fuelled in part by a government programme of public flotations, reflects growing confidence within the Caribbean island's business community despite a struggling economy.

"If this confidence were not there, then the stock exchange would have been a vehicle of last resort for investors," said one market analyst. "They now feel safer investing in stocks than in putting their money in interest-bearing deposits in banks and other financial institutions. The stock market is now the preferred option."

Such was the level of growth last year that the index rose 59.3 per cent from 1985 to stand at 1,499.87 at the end of December. Over the previous five years the index had grown by a cumulative 129 per cent.

Jamaica's stock exchange cannot be compared in size with those of North America and Europe. Only 39 companies are listed. But what the exchange lacks in size, it more than makes up for in its hectic pace of activity.

The volume of trade last year grew by 21.68m shares to 59.25m compared with 1985. The value of these transactions grew from 117.14m Jamaican dollars ($21.27m) in 1985 to J$374.50m last year.

The stock market was given a fillip recently by a significant increase in public participation. The Jamaican Government last year sold off part of the state-owned National Commercial Bank, the country's largest.

The offer was over-subscribed by 175 per cent, with more than 35,000 applications. Many prospective small investors are now eagerly awaiting the results of a Government promise to float more state-owned companies.

Analysts also say that stock market activity has been stimulated by the effects of a tax reform programme recently unveiled by Mr Edward Seaga, Prime Minister and Finance Minister, under which corporate taxes are being cut from 45 per cent to 33⅓ per cent.

The stock exchange index has jumped by 438.98 points, or nearly 30 per cent, between the end of December and the end of February, when it reached 1,938.85, indicating good prospects that the bull run will continue.

EUROPE

Gloomy Frankfurt plunges again

A HESITANT mood affected most of Europe yesterday, taking bourses generally lower as the West German market plunged into further gloom.

Frankfurt appeared to feed off its own recent decline as well as its worries over the VW currency fraud. The Commerzbank index dropped 47.8 to 1,633.8, its lowest point in nearly 18 months since hitting 1,626.1 in October 1985.

Analysts said the falls were led by foreign selling but that the drop in the widely-watched FAZ index on Wednesday had itself unsettled investors further.

Steepest losses were for stocks most popular overseas, including Deutsche Bank, down DM 20.50 to DM 598, Siemens, falling DM 15 to DM 621, and Daimler Benz, losing DM 35 to DM 861

Steel group Klöckner Werke, shedding 4,000 jobs, lost DM 3 to DM 58, while Degussa, the chemicals and metals producer, dropped a sharp DM 39, or 9 per cent, to DM 425 after reporting higher 1986 profits but lower sales.

Bonds were firmer in an active session with gains of up to 40 pfg on the dollar's weakness against the D-Mark.

The Bundesbank sold DM 93.5m worth of paper after selling DM 76.1m on Wednesday.

Amsterdam met late selling when Wall Street opened weaker and the poor performance in West Germany also rubbed off on the market in quiet trading.

Among weak internationals, Philips lost Fl 2.00 to Fl 48.30 and Unilever eased Fl 1.00 to Fl 550.

Zurich also finished generally lower on light overseas and domestic selling. Swissair bearer shed SFr 10 to SFr 1,220 after the airline's drop in 1986 profits and consequent cut in dividend, but the registered share added SFr 10 to SFr 1,060.

Brussels turned hesitant after its recent record-breaking run, ending little changed on some light profit-taking and position-squaring. Banks and insurers, however, showed some gains.

Paris was fairly quiet, ending slightly lower on balance as caution set in over its recent advances and Wall Street's changeable performance. There was also some position-squaring in advance of Monday's bourse liquidation day.

Milan turned down again amid renewed concern about the Italian political crisis. However, Mediobanca made a further strong advance, closing up L5,900 at L262,000, and Montedison added L85 to L2,785 in the wake of Spanish approval for its acquisition of Antibioticos.

Stockholm and Oslo were both little changed. Madrid was closed for a bank holiday.

LONDON

THE UK equity market's considered response to Tuesday's budget was cooler, with a wide downturn in prices.

The FT Ordinary index shed 7.9 to 1581.6, while the broader FT-SE 100 index ended 15.6 lower at 1,991.0

Gilts were slightly easier. Details, Page 46

Sweden to probe bourse

A PARLIAMENTARY committee has been set up in Sweden to examine regulations regarding the securities markets and stock exchange. It will decide to what extent the markets will be self-regulated and whether new legislation is required in view of the enormous increase in transactions during the 1980s, *writes Sara Webb in Stockholm.*

It is also expected to look at whether the country needs to set up regional stock exchanges and to consider how insiders trading regulations could be further tightened. It is due to report by the end of 1988.

The Government is expected to propose amendments to existing regulations on takeovers by the end of this month. These would give the Bank Inspection Board wider powers to question possible nominees acting for insiders and to review events before firm bids are made.

Swedish financial markets have been hit by a number of scandals in recent months,

SOUTH AFRICA

PRESSURE from a further rise in the financial rand and a slightly weaker gold price had a dampening effect on gold shares, which continued easier at the close.

Among the heaviest losses were Vaal Reefs, down R4 at R33, and Kloof, down R1 at R31.50. Randfontein firmed R1 to R391 against the trend.

Mining financials eased, but other minings were steady to slightly firmer.

Industrials continued firm, with the index climbing to a new high of 1,683 from a previous record high of 1,679.

South African Breweries gained 15 cents to R17.65, De Beers remained steady at R38.25 and Barlow Rand lost 25 cents to R20.6.

ASIA

Nikkei backs off from heights

TOKYO

INVESTOR CONCERN over precariously high prices returned in late Tokyo trading yesterday and sent share prices lower, *writes Shigeo Nishiwaki of Jiji Press.*

Speculation that tighter restrictions would be placed on margin trading also helped profit-taking.

The Nikkei average, which gained 178 points from Wednesday to a mid-morning record, ended 60.74 points lower at 2,644.32. Volume totalled 1.38bn shares compared with a record 2.52bn on Wednesday. Losses outnumbered gains by 519 to 369, with 145 issues unchanged.

In a continuation of the previous day's record-breaking performance, the market got off to a strong start with large-capital and Aids-related stocks attracting buying interest.

Nippon Steel topped the active list, but volume totalled only 130.82m shares, about a third of the previous day's 385.39m. The issue rose Y10 at one stage but came under selling pressure later to finish at Y325, unchanged from Wednesday.

Sumitomo Metal Industries, the second-busiest issue with 47.35m shares changing hands, closed Y2 higher at Y257 after gaining Y10 briefly.

In contrast, Kawasaki Steel fell Y7 to Y249, Nippon Kokan Y8 to Y267 and Ishikawajima-Harima Heavy Industries Y15 to Y518.

Aids-related stocks were very volatile. Sumitomo Chemical opened Y4 higher but was later sold heavily to end Y55 lower at Y925.

Japan Synthetic Rubber, which had performed strongly since the beginning of this week, suffered a maximum allowable single-day loss of Y100 to Y725 while Toyobo and Sankyo ended Y24 and Y100 lower at Y540 and Y1,800, respectively.

On the other hand, Ajinomoto, a recently neglected Aids-related stock, ended Y50 higher at Y3,550 after opening Y10 lower.

Also in the spotlight were companies with business links with Ueno Fine Chemicals Industry, which has developed an organic compound that can reportedly prevent the spread of the Aids virus.

Bond prices were slightly firmer, with buying and selling criss-crossing.

In early trading, the yield on the benchmark 5.1 per cent government bond, falling due in June 1996, slipped below 4.5 per cent for the first time to reach 4.495 per cent.

Later, however, the benchmark issue came under profit-taking pressure, and its yield turned up to end at 4.530 per cent compared with 4.555 per cent on Wedesday.

AUSTRALIA

BULLION again provided the impetus in Sydney, where a steady gold price and strong support for resource stocks helped the market to record levels.

A firmer close on Wall Street overnight and easing money market rates fuelled sentiment further, and the All Ordinaries index closed up 9.3 at a record 1,648.6. The gold index gained 32.7 to 2,297.3.

Among golds, GMK took the limelight, jumping A$2 to A$27. Poseidon gained 70 cents to A$9.50 and Central Norseman 40 cents to A$15.10.

HONG KONG

GENTLE see-saw trading in Hong Kong followed Wednesday's huge jump, and the Hang Seng index lost 2.73 to 2,721.28 after posting a 10.58 gain in the morning session.

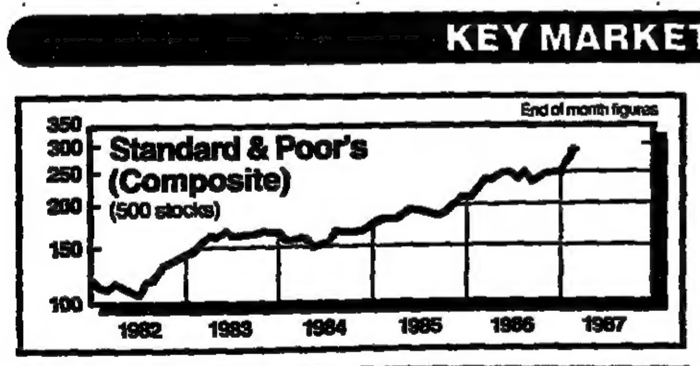
The market lacked news although rumours of an increase in local interest rates continued to circulate.

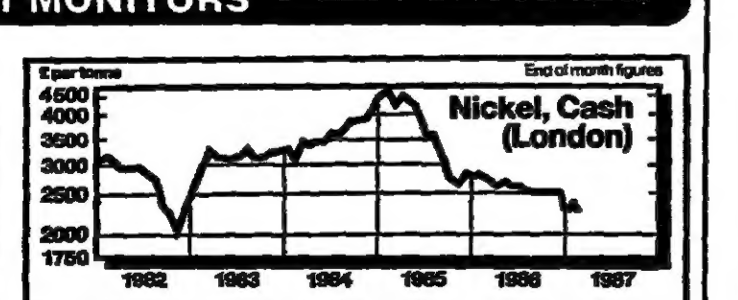
SINGAPORE

UNCERTAINTY among investors eroded a firm start in Singapore as rumours of new political problems facing Malaysia's Prime Minister triggered a late burst of selling.

Active local and overseas buying early in the day, however, resulted in a gain of 3.96 points for the Straits Times industrial index, which closed at 1,031.87.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Mar 19	Previous	Year ago
NEW YORK			
DJ Industrials	2,299.91*	2,290.46	1,787.95
DJ Transport	942.71*	938.66	805.57
DJ Utilities	237.24*	216.32	185.01
S&P Comp.	293.56*	293.08	235.60
LONDON FT			
Ord	1,581.6	1,589.5	1,415.1
SE 100	1,991.0	2,006.6	1,659.8
A All-share	994.65	1,001.02	810.46
A 500	1,110.46	1,117.34	891.30
Gold mines	350.4	344.3	310.6
A Long gilt	8.91	8.91	9.14
TOKYO			
Nikkei	21,644.32	21,705.06	14,476.5
Tokyo SE	1,858.81	1,874.8	1,153.15
AUSTRALIA			
All Ord.	1,648.6	1,639.2	1,123.3
Metals & Mins.	816.9	811.3	558.0
AUSTRIA			
Credit Aktien	201.32	201.73	234.36
BELGIAN SE			
	4,504.59	4,499.06	3,417.09
CANADA			
Toronto			
Met.& Mins.	2,616.0*	2,620.6	2,361.0
Composite	3,800.5	3,787.0	2,996.6
Montreal			
Portfolio	1,896.62*	1,890.38	1,540.57
DENMARK SE			
	—	199.24	239.16
FRANCE			
CAC Gen	443.00	442.90	332.7
Ind. Tendance	112.80	113.10	81.7
WEST GERMANY			
FAZ-Aktien	538.32	555.10	691.27
Commerzbank	1,633.10	1,681.60	2,095.3
HONG KONG Hang Seng	2,721.28	2,724.01	1,559.94
ITALY Banca Comm.	735.35	702.85	646.45
NETHERLANDS ANP CBS			
Gen	277.00	277.10	263.7
Ind	255.90	256.70	250.4
NORWAY Oslo SE	414.94	412.37	354.63
SINGAPORE Straits Times	1,031.87	1,027.91	569.66
SOUTH AFRICA JSE			
Golds	—	1,801.00	1,250.8
Industrials	—	1,679.00	1,192.0
SPAIN Madrid SE	—	230.66	150.10
SWEDEN J & P	2,540.81	2,531.65	1,975.76
SWITZERLAND Swiss Bank Ind	583.60	581.60	579.8
WORLD MS Cap. Int'l March 18	427.4	425.6	298.7

COMMODITIES (London)

	March 19	Prev
Silver (spot)	347.80p	347.30p
Copper (cash)	£914.50	£907.00
Coffee (May)	£1,272.00	£1,265.00
Oil (Brent)	$18.05	$18.35

GOLD ($/oz)

	March 19	Prev
London	$404.25	$404.50
Zürich	$404.60	$404.50
Paris (fixing)	$405.92	$406.26
Luxembourg	$405.25	$406.60
New York (April)	$408.10	$408.00

CURRENCIES (London)

	US DOLLAR Mar 19	US DOLLAR Previous	STERLING Mar 19	STERLING Previous
$	—	—	1.6035	1.6050
DM	1.8335	1.8353	2.94	2.95
Yen	151.45	151.82	242.75	244.0
FFr	6.1025	6.1085	9.785	9.8125
SFr	1.5345	1.5350	2.46	2.47
Fl	2.0710	2.0733	3.32	3.3325
Lira	1,305.00	1,304.00	2,092.5	2,092.5
BFr	37.975	38.04	60.95	61.15
C$	1.3155	76.175	2.1100	2.1085

INTEREST RATES

Euro-currencies (3-month offered rate)	Mar 19	Prev
£	9[illegible]	9⅝
SFr	4	4⅛
DM	4	4⅛
FFr	8	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6½	6½
6-month US$	6⅝	6⅝
US Fed Funds	6 *	6⅛
US 3-month CDs	6.05 *	6.375
US 3-month T-bills	5.495*	5.70

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	102-06	102-11	101-24	101-29
US Treasury Bills (IMM) $1m points of 100%				
June	94.53	94.55	94.47	94.50
Certificates of Deposit (IMM) $1m points of 100%				
March	—	—	—	93.87
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.59	93.60	93.55	93.61
20-year Notional Gilt £50,000 32nds of 100%				
March	126-09	126-10	126-00	126-04

US BONDS

Treasury

	March 19 Price	March 19 Yield	Prev Price	Prev Yield
6⅛ 1989	99[illegible]	6.387	99[illegible]	6.384
7⅛ 1993	100	6.994	99[illegible]	7.000
7⅛ 1996	100[illegible]	7.182	100[illegible]	7.182
7½ 2016	100	7.498	100	7.498

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index March 19	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.68	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	March 19 Price	March 19 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	(uch)	(uch)	93.91	5.95
SCBT South Central 10⅞ Jan 1993	(uch)	(uch)	105.25	9.70
Phibro Sal 8 April 1996	(uch)	(uch)	100.00	8.00
TRW 8⅞ March 1996	(uch)	(uch)	103.50	8.19
Arco 9⅞ March 2016	(uch)	(uch)	113.25	8.62
General Motors 8⅜ April 2016	(uch)	(uch)	94.375	8.86
Citicorp 9⅜ March 2016	(uch)	(uch)	101.00	9.27

Source: Salomon Brothers

* Latest available figures